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JOINT APPLIED PROJECT

National Security Personnel System (NSPS):
An Analysis of Key Stakeholders' Perceptions
During DoD's Implementation of NSPS

By: **James Alexander**
Brian Barlow
Douglas Haskin
June 2010

Advisors: **Douglas A. Brook**
John Dillard

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- What are the key stakeholders' attitudes and perceptions towards DoD's implementation of NSPS, as viewed through the framework of the NSPS KPPs?
- What do these perceptions indicate about DoD meeting the NSPS KPPs?

NSPS statistics were gathered and analyzed to support the analysis, conclusions and recommendations. The conclusions include identification of the prevailing attitudes and perceptions during NSPS implementation, with the emphasis on lessons learned and recommendations of best practices, which can be applied to future attempts at implementation of a pay for performance personnel system in a public organization.

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NATIONAL SECURITY PERSONNEL SYSTEM (NSPS): AN ANALYSIS OF KEY STAKEHOLDERS' PERCEPTIONS DURING DOD's IMPLEMENTATION OF NSPS

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Submitted in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE IN PROGRAM MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
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NATIONAL SECURITY PERSONNEL SYSTEM (NSPS): AN ANALYSIS OF KEY STAKEHOLDERS' PERCEPTIONS DURING DOD's IMPLEMENTATION OF NSPS

ABSTRACT

The objective of this project is to examine the attitudes and perceptions of key stakeholders during DoD's implementation of the National Security Personnel System (NSPS). This analysis of the attitudes and perceptions of key stakeholders during DoD's implementation of NSPS will be aligned with the NSPS Key Performance Parameters (KPPs). Leveraging data from the DoD NSPS office, DMDC, OPM survey data, and other independent reports, this project will address the following questions:

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LIST OF ACRONYMS AND ABBREVIATIONS

APS	Alternate Personnel Systems
CBO	Congressional Budget Office
COLA	Cost of Living Allowances
CSRA	Civil Service Reform Act
DBB	Defense Business Board
DCPDS	Defense Civilian Personnel Data System
DMDC	Defense Manpower Data Center
FEPCA	Federal Employees Pay Comparability Act
FLRA	Federal Labor Relations Authority
FY	Fiscal Year
GAO	Government Accountability Office
GS	General Schedule
HR	House of Representatives
KPPs	Key Performance Parameters
LR	Labor Relations
NDAA	National Defense Authorization Act
NSLRB	National Security Labor Relations Board
NSPS	National Security Personnel System
OPM	Office of Personnel Management
PEO	Program Executive Office
PMRS	Performance Management and Recognition System
QSI	Quality Step Increase
SES	Senior Executive Service
SOFS	Status of Forces Survey

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Doug Haskin

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I. INTRODUCTION

> We are engaged in a new and unprecedented war—the global war on terror. But we are fighting the first war of the 21st century with management and personnel systems that were developed decades ago, during or even before the Cold War. DoD is working to deal with the security threats of the 21st century with a personnel system that was fashioned for the mid-20th century. We have an industrial age organization that is struggling to perform in an information age world.[1]
>
> —Former Secretary of Defense Donald Rumsfeld

> Who in their right mind can actually believe pay for performance can work in the federal government?[2]
>
> —Mark Gibson, Labor Relations Specialist

> NSPS is a failed plan that has been fundamentally flawed since its inception. NSPS was never intended to be a modern, good government personnel system. It was intended to eliminate federal employee unions and suppress pay for the majority of DoD workers. ….Pay and promotion systems under NSPS are unfair, and it has severely diminished morale within the department.[3]
>
> — President of the National Federation of Federal Employees, Richard N. Brown

When President Bush signed House of Representatives (HR) 1588, the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2004, into law (Public Law 108-136) on November 24, 2003, the National Security Personnel System, otherwise

[1] U.S. Senate Committee on Governmental Affairs, Transforming the DoD Personnel System: Finding the Right Approach, S Hearing 108-185, 108th Cong., 1st sess., June 4, 2003, 55–56.

[2] American Federation of Government Employees, AFL-CIO: Pay for Performance Shares Problems Between Federal Employees and Contractors, Mark Gibson, July 6, 2009, http://www.Unionblog.com.

[3] Statement of Richard N. Brown, National President of The National President of The National Federation of Federal Employees, for the Record before the House Armed Services Committee: Subcommittee on Readiness: Regarding the National Security Personnel System, April 14, 2009, 2.

known as NSPS was enacted. Six short years later, when President Obama signed HR 2647, the NDAA for FY 2010, into law (Public Law 111-84) on October 28, 2009, NSPS was repealed.

A. RESEARCH OBJECTIVE AND METHODOLOGY

The objective of this project is to examine the attitudes and perceptions of key stakeholders during DoD's implementation of NSPS. This analysis of the attitudes and perceptions of key stakeholders during DoD's implementation of NSPS will be aligned with the NSPS Key Performance Parameters (KPPs). Leveraging data from the DoD NSPS office, the Defense Manpower Data Center (DMDC), the Office of Personnel Management (OPM) survey data, and other independent reports, this project will address the following questions:

- What are the key stakeholders' attitudes and perceptions towards DoD's implementation of NSPS, as viewed through the framework of the NSPS KPPs?
- What do these perceptions indicate about DoD meeting the NSPS KPPs?

NSPS statistics were gathered and examined to support the analysis, conclusions and recommendations. The conclusions will include identification of the prevailing attitudes and perceptions during NSPS implementation, with the emphasis on lessons learned and recommendations of best practices, which can be applied, to future attempts at implementation of a pay for performance personnel system in a public organization.

This report will briefly detail the key concepts, which must be considered and addressed when implementing organizational change. These concepts include cultural change within the DoD, communication between leadership, management, and employees, credibility between individuals and organizations, gaining and maintaining trust, the theory and concepts behind performance based pay, and the necessary blending of all these topics to create and inspire individual and organizational change.

There is a significant amount of previous research done on the precedent of merit pay and pay for performance. This report will only briefly synopsize this area, to establish precedential perspective for the implementation of pay for performance with

NSPS. The report will briefly detail recent civil service reform history prior to the enactment of NSPS, then focus on the formation of the NSPS KPPs, and identify the key NSPS stakeholders.

We collected and analyzed information and data from two types of sources: publicly available documents (including analysis and reviews of NSPS by independent research organizations, such as RAND Corporation), and archived survey data, documents, and information provided by organizations, such as the Defense Manpower Data Center (DMDC).

First, publicly available documents pertaining to organizational change were identified and reviewed. This comprised of gathering and reviewing documents relevant to the cultural change, communication, credibility, trust, and the implementation of change. Next, documents relevant to NSPS were gathered and reviewed, covering such topics as pay for performance, merit pay, independent assessments, and reviews of NSPS.

Once we had an intermediate understanding of the issues, topics, and stakeholders involved in NSPS, survey data from the most robust data source, DMDC, was reviewed. Following the review of the DMDC data, four other data sources and reports were chosen to be used as primary data sources for the analysis of the report. These sources include data from surveys and reports, which represent a cross sample of stakeholders with interests in the NSPS. These stakeholders included DoD employees and their supervisors, federal government oversight agencies to include the Government Accountability Office (GAO) and the Office of Personnel Management (OPM), Congress, and the Unions. The final five data sources chosen for this report include: The 2008 DMDC Status of the Forces Survey, The November 2008 Congressional Budget Office (CBO) Review of NSPS, the September 2008 Government Accountability Office (GAO) Report, the December 2008 OPM Assessment of Implementation of NSPS, and the July 2009 Defense Business Board (DBB) Review of NSPS.

After gathering the relevant data, each KPP was analyzed by evaluating the key stakeholders' perceptions of each KPP attribute. The NSPS Requirements Document defines an attribute as "a characteristic that further defines a performance parameter that

allows it to be measured."[4] By evaluating the individual attributes from the perspectives of the major stakeholders, an overall rating for the attribute was determined. By aggregating these ratings by KPP, an overall rating for each KPP was determined. In order to make this process more objective, a scorecard was developed to provide a common way of analyzing each attribute, as well as visually depicting the results.

B. ORGANIZATION OF THE REPORT

This report is organized as follows: the first section (Background) provides an overview of civil service reform history, with a brief description of the GS system, and identifies the perceived need for change of the personnel system. The precedence for pay for performance within the federal government is discussed, and the fundamental components of NSPS are identified. The composition of the civilian DoD workforce is identified within and the context of employees who have been transitioned to NSPS. Finally, this section concludes with a discussion on the implementation of NSPS by identifying the key stakeholders, and outlines the anticipated impacts of implementing NSPS. This discussion will be focused by the key concepts of communication, credibility, trust, and change management, which all must be considered and addressed when implementing widespread organizational change.

The second section (Data) provides a brief introduction to each of the five primary data sources and highlights representative samples of the analyzed primary source data.

The third section (Analysis) provides an examination and interpretation of the data presented in the second section. This section will identify the methodology of examination, interpretation, and analysis of the data. This discussion will include the metrics and criteria by which the data will be analyzed. A brief explanation of the rationale behind choosing each source will be provided, as well as a brief background and identification of topical areas covered by each source. Each data source will also identify the specific and relevant NSPS KPPs and associated attributes, which the data within the

[4] Gordon R. England, "Requirement Document for National Security Personnel System," September 25, 2004, 7.

source address. This section will be formatted such that the data from each source aligns with the primary research questions and corresponding NSPS KPPs. This section will also identify and attempt to reconcile any discrepancies between various stakeholders' opinions regarding the evaluated attributes.

The fourth and final section (Summary, Recommendations for Future Study, and Conclusion) summarizes conclusions and indentifies the prevailing attitudes and perceptions during NSPS implementation, with the emphasis on lessons learned and recommendations of best practices, which can be applied, to future attempts at implementation of a pay for performance personnel system in a public organization.

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II. BACKGROUND

> To effectively respond to the global landscape of the 21st century, DoD must be a world-class employer. We must recruit, manage, develop, and retain the best and brightest civilians in order to achieve the national defense mission. …NSPS will transform the civilian workforce to optimize our capabilities, and prepare for new challenges in a rapidly changing world.[5]
>
> -Department of Defense Civilian Human Capital Strategic Plan

> Our Army is transforming the development and management of its Civilian Corps. We are asking more of our civilians today than ever—to lead our nation's Army though a diverse and complex environment—and we must give them the tools to meet these challenges.[6]
>
> —Secretary of the Army Pete Geren

A. CIVIL SERVICE REFORM HISTORY

In order to put the implementation of NSPS into perspective, a brief review of the historical US civil service reform is appropriate. In approximately 200 years of civil service history, only three major changes occurred in civilian personnel and human resources. The first was the Pendleton Civil Service Reform Act of 1883. This act "initially formed the civil service system."[7] For several decades, the federal government attempted to link pay and performance with little success. The Performance Rating Act of 1950 linked pay and performance by restricting within-grade step increases to employees with satisfactory or better ratings. The Federal Salary Reform Act of 1962 allowed managers to "deny a within-grade increase for performance rated below an acceptable level and allowed granting an additional step increase for high-quality performers."[8]

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[5] Department of Defense Civilian Human Capital Strategic Plan 2006–2010, September 8, 2006, 23.

[6] Transforming the Army's Civilian Workforce: A New Vision, Secretary of the Army Pete Geren, The Pentagon, July 23, 2008.

[7] Douglas A. Brook, Cynthia L. King, Shane T. Prater, and Eric W. Timmerman, *National Security Personnel System: A History of the Creation and Enactment of the NSPS Legislation* (Center for Defense Management Reform Technical Report Series, December 2008), 5.

[8] U.S. General Accounting Office, *Federal Merit Pay: Important Concerns Need Attention* (Washington, D.C.: U.S. General Accounting Office, March 3, 1981), 3.

The second major reform was The Civil Service Reform Act (CSRA) of 1978. This act created "a merit pay system for managers, established the Senior Executive Service (SES), provided greater protection for whistle blowers, placed limitations on veteran's preference, granted new authority for personnel administration for research and development (which began the China Lake Demonstration Project at the Naval Weapons Center)."[9] This was one of the first pay for performance Laboratory Demonstration Projects within the federal government.

The merit pay system established by The Civil Service Reform Act of 1978 was officially called the Performance Management and Recognition System (PMRS). This system attempted to link pay increases to an employees' performance, rather than to length of service, as was the case with the General Schedule (GS) system of within-grade increases. PMRS, however, "did not perform well when compared to its established objectives, and was officially abandoned with the passing of the Performance Management and Recognition System Termination Act of 1993 (Public Law 103-89)."[10] PMRS was followed by the Federal Employees Pay Comparability Act (FEPCA) in November 1990, which was designed to attract higher quality technical government employees thru increased pay comparable to the private industry. This effort "was never fully implemented due to cost of implementation, as well as disagreement over the method of calculating locality adjustment."[11]

The third major reform in civil service occurred in November 2003 with the signing of the 2004 NDAA, which authorized NSPS. The key events surrounding the perceived need to establish NSPS, a discussion of the perceived impacts of implementing a system such as NSPS, the formation of the NSPS Key Performance Parameters (KPPs), and how NSPS was implemented, will all be discussed later in this section.

---

[9] Brook, King, Prater, and Timmerman, *National Security Personnel System: A History of the Creation and Enactment of the NSPS Legislation*, 5.

[10] Gary L. Hlavsa, *Implementation of the National Security Personnel System at the U.S. Army Chemical Material Agency*, June 2008, 14.

[11] Ibid., 15.

B. THE GENERAL SCHEDULE CLASSIFICATION SYSTEM

Prior to NSPS, most DoD civilian employees worked under the GS pay system, which was created by the Classification Act of 1949. This new pay system was established on the basis of equal compensation for equal work or equal status (i.e., grade and tenure).

For purposes of perspective, and to understand why many argued for change to the DoD civilian personnel system, when the GS pay system was first introduced in 1949, "the most common grade was a GS-3 clerk."[12] In stark contrast, in 2000, due to job classification, and the nature of positions within the DoD, "the most common grade was a GS-12, largely due to the significant increase in the number of technical positions, such as Engineers, Scientists, and Information Technology held by government workers."[13] This change in the composition of the federal government workforce can be seen in Figure 1.

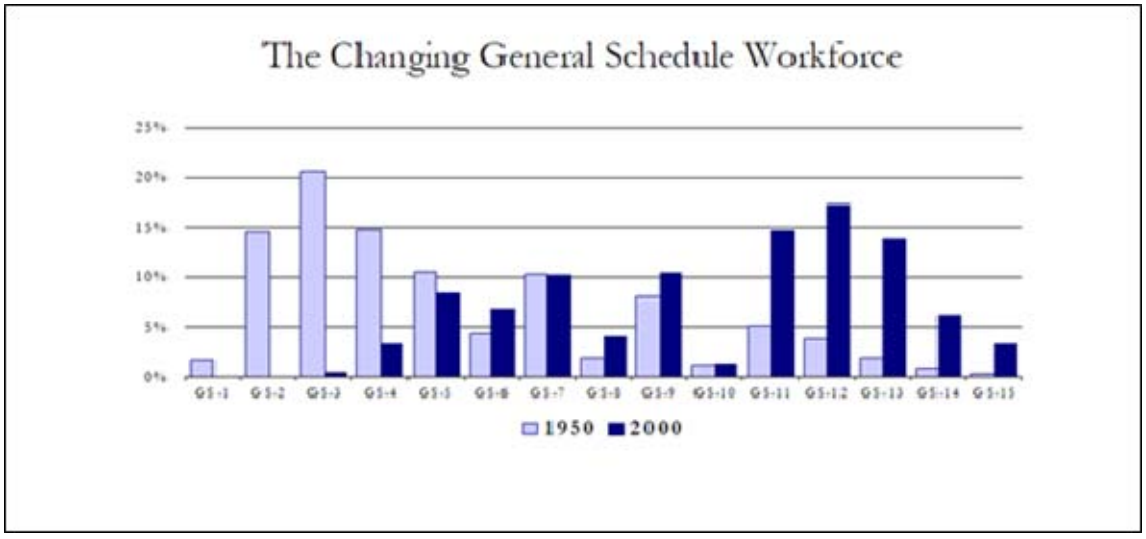

Figure 1. The Historical Change of the GS Workforce[14]

[12] Hlavsa, *Implementation of the National Security Personnel System at the U.S. Army Chemical Material Agency*, 7.

[13] Ibid.

[14] OPM, A White Paper. "A Fresh Start for Federal Pay: The Case for Modernization," Kay Cole James, Director, April 2002, 5.

The GS pay system is structured such that hundreds of job classifications fall into one pay scale. Varied functional areas were all lumped together, such as doctors, lawyers, and engineers. Today, the GS system consists of 15 grades, with 10 pay steps within each grade. "The Civil Service Reform Act of 1978 eliminated three GS grades (GS-16, GS-17 and GS-18). These grades were replaced by the Senior Executive Service (SES) and the Senior Level (nonsupervisory) pay scale."[15]

Today, positions in the GS-1–7 range are typically categorized as entry level, GS-8–12 are categorized as mid-level positions, and GS-13–15 are considered top-level positions. A new employee is usually hired in the first step of the GS grade. Each step is normally earned after a pre-determined period of time, such as one, two or three years, provided they have performed satisfactorily. On rare exceptions, an employee may qualify for a higher quality step increase (QSI) for outstanding performance. The GS system primarily provided employees pay increases due to nonperformance-based measures, such as time in grade, tenure, and the inflation price index. The Federal Employees Pay Comparability Act (FEPCA) of 1990 provided GS employees with "locality pay, which took into consideration the cost of employment in a given area."[16] Annually, the President and Congress approve pay adjustments, often referred to as Cost of Living Adjustments, or COLA.

The Office of Personnel Management (OPM) defines federal job classifications by position titles and the grades of various levels of work. The GS system includes twenty-two broad occupational groups with a separate series (professional, administrative, technical, clerical, and others) that represent occupations within that group. The main criteria used to classify positions are the duties and responsibilities assigned to a particular position, along with the qualifications that are required.

As a function of longevity and duration, with 60 years of implementation and use, the GS system has been afforded the opportunity to create an atmosphere of familiarity with DoD civilian employees. Familiarity has the potential to breed a workforce culture

[15] OPM, A White Paper. "A Fresh Start for Federal Pay: The Case for Modernization," 7.

[16] U.S. Office of Personnel Management, "Biography of an Ideal—A History of the Federal Civil Service," http://www.opm.gov/BiographyofAnIdeal/.

of complacency, leading to an inefficient workforce.[17] Familiarity and trust can be challenged when large spread change occurs, such as implementing a new personnel system. NSPS was expected to be "operational and stable within a short six year window."[18] The sixth KPP captured the intent for a relatively quick implementation of NSPS. The data analysis section of this report will look at this aspect of the NSPS program to determine what role the accelerated implementation schedule of NSPS played in creating perceptions about the abrupt change in personnel system, and the resulting objectivity, credibility, and compensation capability of the new system.

C. DOD: THE ORGANIZATION AND DEMOGRAPHICS

In order to comprehend and appreciate the scope, magnitude, and challenges NSPS faced in attempting to reform the personnel system supporting the DoD civilian workforce, an understanding of the size, composition, and complexity of the organization is required.

The mission of the DoD is "to provide the military forces needed to deter war and to protect the security of our country."[19] By most standards, the DoD can be considered one of the most complex and diverse organizations in the United States. It is also one of the largest workforces in the world. DoD employs more than three million people across multiple organizations and agencies, with "21 percent of this workforce civilian."[20]

In January 2010, there were approximately 760,000 civilian employed by the DoD. This workforce is very diverse, representing a cross section of the U.S.[21] In addition to the racial and ethnic diversity of the DoD workforce, the job functions or roles performed by individuals within the DoD vary greatly, as seen in Figure 2. Some of these

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[17] Joseph Seykora, "Analysis of the Relationships among Trust Antecedents, Organizational Structures, and Performance Outcomes," *Naval Postgraduate School MBA Professional Report* (December 2009): 7–10.

[18] Gordon R. England, "Requirement Document for National Security Personnel System," (September 25, 2004): 7.

[19] DoD Mission Statement, March 14, 2010, http://www.defense.gov/admin/about.html.

[20] DoD Civilian Human Capital Strategic Plan 2006–2010, September 3, 2005, 24.

[21] DoD Civilian Personnel Management Service: DoD Demographics as of January 31, 2010 (February 26, 2010): 25.

civilians perform job functions that include standard services, such as clerical, administrative, and business positions. Other DoD civilian employees perform job functions that include scientific and engineering services, to include research doctors, mechanical design fabricators and integrators, as well as weapons inventors and developers. Other DoD civilian professionals perform job functions in the medical field, to include doctors, nurses, and specialty surgeons. Finally, DoD civilian employees also perform investigative services, to include internal audit agencies and external investigative services.

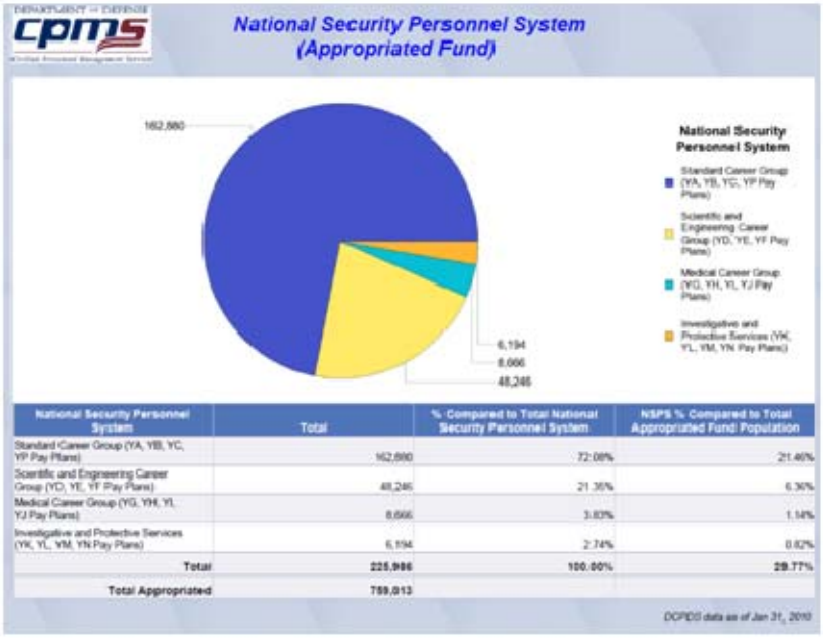


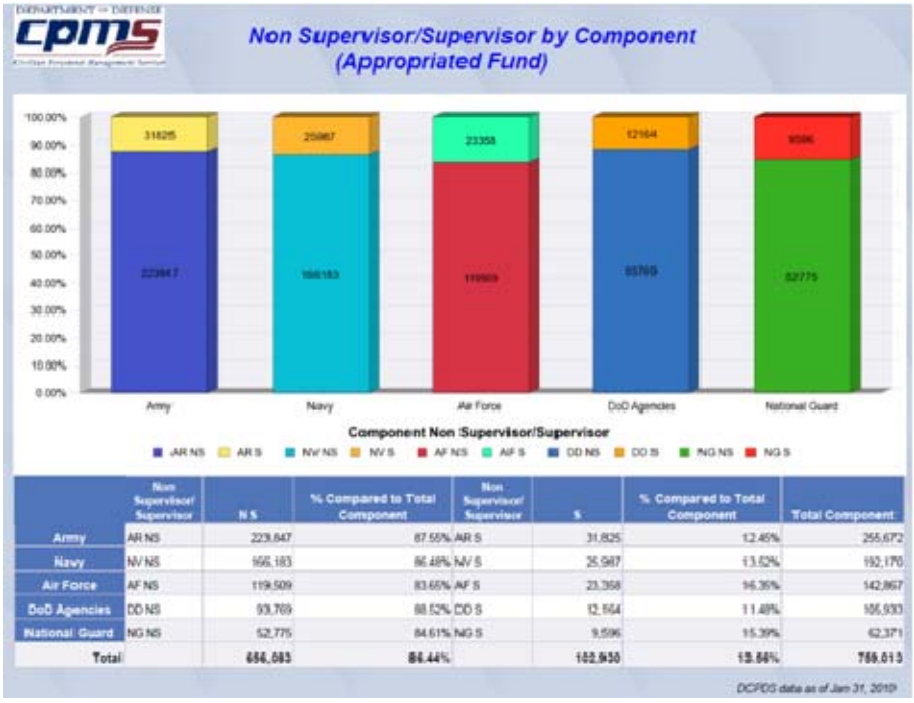
Figure 2. DoD Civilians under NSPS Categorized by Career Group[22]

Of the 226,000 DoD civilian employees transitioned to NSPS, approximately 72% were categorized in the Standard Career group, 21% were categorized in the Scientific and Engineering Career Group, and the remaining 6% were split between the Medical and Investigative Career groups, as identified in Figure 2. In addition to the various job functions performed by the civilian DoD workforce, many of these individuals are prior uniformed service or military.

[22] DoD, Civilian Personnel Management Service: DoD Demographics as of January 31, 2010, 11.

Approximately 30% (226,000) DoD civilian employees were transitioned to NSPS as of January 2010, with approximately 312,500 still under the GS system.[23] These statistics are important and serve as a frame of reference when analyzing the opinions, perceptions, and relevant data obtained, which present the voice of the DoD civilian employee.

In addition to the various categories previously mentioned, the DoD civilian population can also be segmented into those individuals who have management or supervisory roles and responsibilities. Of the 760,000 DoD civilian employees, approximately 103,000 held supervisory positions, or on average approximately 14%, as identified in Figure 3. The relative ratio of one supervisor to every six non-supervisory civilian employees is also important to factor, weigh, and take into consideration when evaluating DoD civilian survey data.



	Non Supervisor/ Supervisor	N S	% Compared to Total Component	Non Supervisor/ Supervisor	S	% Compared to Total Component	Total Component
Army	AR NS	223,847	87.55%	AR S	31,825	12.45%	255,672
Navy	NV NS	166,183	86.48%	NV S	25,987	13.52%	192,170
Air Force	AF NS	119,509	83.65%	AF S	23,358	16.35%	142,867
DoD Agencies	DD NS	93,769	88.52%	DD S	12,164	11.48%	105,933
National Guard	NG NS	52,775	84.61%	NG S	9,596	15.39%	62,371
Total		656,083	86.44%		102,930	13.56%	759,013

DCPDS data as of Jan 31, 2010

Figure 3. DoD Civilians—Non-Supervisory vs. Supervisory by Component[24]

[23] DoD, Civilian Personnel Management Service: DoD Demographics as of January 31, 2010, 11.

[24] Ibid., 32.

The combination of race, job function, and previous service history, education level, supervisory status, and experience form a very diverse and culturally fluid workforce. This diversity will be further discussed, in particular, how these differences lend to the unique DoD culture, and how this must be properly considered when determining if there is a need for change, communicating the need for change, and establishing the necessary trust to implement and maintain organizational change.

D. DOD CULTURE

The demographics representing the DoD workforce create a very complex and unique culture for the implementation of NSPS. In classic organizational behavior theory, the common theme defining organizational culture includes the concept that there are a set of common understandings or meanings, shared by a defined group of people, around which action is organized and implemented.[25] A secondary definition includes "a system of knowledge of standards for perceiving, believing, evaluating, and acting that serve to relate human communities to their environmental settings."[26]

Edgar Schein modeled organizational culture with "behavior, artifacts, espoused values, and basic underlying assumptions."[27] These behavioral patterns and artifacts include the visible and observable aspects of the DoD civilian work environment, such as the organizational structure providing the hierarchical supervisory and employee relationships, organizational protocols and processes, dress codes, level of technology utilized to perform job functions, and the physical work environment. Subtle observable artifacts also include how organizations within the DoD process and staff documents, and interact and influence organizations and agencies outside of their own.

Values, or espoused values, are also central to organizational culture. These values include DoD strategies, goals, and philosophies on how the individual subordinate organizations should achieve their individual mission, as well as the collective DoD

[25] Derived from multiple sources.

[26] National Defense University, Strategic Leadership and Decision Making, Chapter 16, Organizational Culture, http://www.au.af.mil/au/awc/awcgate/ndu/strat-ldr-dm/pt4ch16.html, 1–2.

[27] E. H. Schein, Organizational Culture, WP 2088-88, Sloan School of Management Working Papers, Massachusetts Institute of Technology, 1988.

mission. Values often determine and manifest themselves into observable behaviors. Frequently there can be a difference between the verbalized and stated organizational values, and the performed or operational values.

Finally, basic underlying assumptions include the unconscious, taken for granted beliefs, perceptions, thoughts, and feelings. These underlying assumptions are frequently the primary source for employee values and actions. The stereotypical value of the federal government employee, especially under the GS system, was job security and equal pay for equal work. These became central themes in the merit system, and were one of the primary reasons cited for changing the culture of the DoD towards a performance based organization.[28]

DoD leadership wanted to affect change into the organizational culture and impact employee behavior and performance.[29] The goal was to create a civilian workforce, which values and increases their performance in return for an increase in their reward, or pay. The incumbent GS system provided and enabled a culture, which is best modeled by the "custodial model of organizational behavior."[30] The basis of this model includes "economic resources with supervisors and managers concentrated on the orientation or disbursement of money."[31] At first, it would appear that this model would more accurately reflect the NSPS model of pay for performance; however, employees under this model typically display behaviors oriented towards "security and benefits, with a significant dependence on the organization."[32] The employee need that is most directly met by this model is job security. This job security is often stereotyped by the saying; you cannot fire a government employee. Unfortunately, for this type of model, and the

[28] OPM, A White Paper, "A Fresh Start for Federal Pay: The Case for Modernization," 17.

[29] Transforming the Army's Civilian Workforce: A New Vision, Secretary of the Army Pete Geren, The Pentagon, July 23, 2008.

[30] Donald Clark—The Art and Science of Leadership: A Complete Guide to Leadership: Organizational Behavior, 1.

[31] Ibid.

[32] Ibid.

personnel system that supports it, the resulting performance by the employee is categorized as "passive cooperation."[33] In other words, the employee will do just enough work in order to remain employed.

NSPS sought to change the organizational behavior model to one, which is more closely described as "supportive."[34] The basis of this model is leadership encouraging managers to enhance their employee's performance through supportive and mutually beneficial actions. The employees then recognize the relationship between improving job performance and organizational support, and in turn are oriented towards enhancing their job performance and participation. The employee need that is met via this model is "status, recognition, and compensation."[35] The performance most often resulting from this model is "an energized motivated workforce, which pushes the employee to perform at their potential, and at higher levels than currently maintained under the custodial model."[36]

E. COMMUNICATION

> Dispersion of responsibility in a large and complex organization, such as the DoD demands active and frequent communication.[37]

Effective, efficient, open, honest, and frequent communication between supervisors and employees is essential in order to affect cultural and behavioral change within an organization.[38] The implication of this statement is that in order to implement the desired change, there needs to be an increased level of effort expended. This is often viewed as a burden, put on not only the supervisor, but also on the employee.

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[33] Donald Clark—The Art and Science of Leadership: A Complete Guide to Leadership: Organizational Behavior, 1.

[34] Ibid.

[35] Ibid.

[36] Ibid.

[37] Department of Defense Civilian Human Capital Strategic Plan 2006–2010, September 8, 2006, A–6.

[38] The National Security Personnel System: An Optimization Strategy for Implementing Pay-for-Performance, Stephan S. Kreiser, USAWC Research Project, March 15, 2006, 10–14.

GAO investigated human capital management, and in particular researched the implementation of pay for performance personnel systems in demonstration projects. One of their findings was that "high-performing organizations continuously review and revise their performance management systems to facilitate two-way communication throughout the year such that discussions about individual and organizational performance are integrated and ongoing."[39] Stephan Kreiser, a Department of Army civilian came to a similar conclusion in his review and research on optimizing the implementation of a pay-for-performance personnel system. His primary finding reinforced GAO's finding that "communication was a key factor to successfully implementing a performance based pay personnel system."[40]

This finding highlights a recurring theme reported within several publications specializing on communication: organizations that freely share information and communicate are more effective and productive than those that do not. Through close and continual communications with management and supervisors, these employees are encouraged to push themselves beyond their self-imposed limitations, for the betterment of the individual, the organization, and the mission.

Communication is highly dependent upon the individuals who are communicating with each other. Just because a person occupies a management or supervisory position does not imply or guarantee that this person is a good communicator. Conversely, the supervisor could be an excellent communicator, but if the employee is not receptive to what is being communicated, the information being transmitted is not always being received properly. This phenomenon is especially true when people are communicating about topics which are sensitive or personal in nature, such as job performance, expectations, evaluations, and expected income. The GAO review of Human Capital concluded that sensitive topics, such as these "should not be communicated just once or twice a year during mid-year performance reviews, and end of year performance

[39] United States General Accounting Office: Report to Congressional Requesters: HUMAN CAPITAL: Implementing Pay for Performance at Selected Personnel Demonstration Projects, January 2004, GAO 04-83, 2.

[40] The National Security Personnel System: An Optimization Strategy for Implementing Pay-For-Performance, 3.

evaluations. This information should be communicated frequently, such that both individuals have sufficient time to process, interpret, and act upon the information."[41] Frequent communication also builds report and relationships between management and employees.

F. CREDIBILITY AND TRUST

In order to create teamwork, the content of communication is just as important as frequency of communication.[42] Credibility between individual employee and supervisor is first built upon a foundation of beliefs. Due to the diversity of the DoD civilian workforce, these beliefs can be highly variable from employee to employee, with many of these beliefs formed prior to the employee's relationship with the organization. The employee can, however, confirm or deny their preconceived beliefs based upon consistency of communication from the organization and supervisor. For proper implementation of NSPS, the organization and supervisor "need to have and maintain a consistent understanding and belief of the need for change" [43] in the personnel system. This change should be derived from the common belief and understanding that among many things, the organizational culture needs to change. This clear consistent message needs to be communicated from each source to the employee.[44] Confusion or conflict of opinion on the need for a reformed personnel system will "create doubt and disbelief in the employee, which will erode credibility of all communication, and lead to either a passive or active resistance, which ultimately leads to a lack of trust."[45]

Trust can be defined as "a willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action

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[41] U.S. General Accounting Office, Review of Human Capital, January 2004, 39.

[42] Michael B. Willoughby, "Teamwork and the National Security Personnel System," USAWC Strategy Research Project, March 30, 2007, 1.

[43] John. P. Kotter, *Leading Change* (Boston, MA: Harvard Business School Press, 1996), 90.

[44] U.S. GAO, Post-Hearing Questions for the Record Related to the DoD NSPS, March 24, 2006, 4–5.

[45] Kotter, *Leading Change*, 90.

important to the trustor, irrespective of the ability to monitor or control the party."[46] The decision to trust an individual (the supervisor in the context of implementing NSPS) is based upon the cumulative past experiences between the employee and supervisors.

Consistency, mostly in the form of employee expectations towards the relationship of time, pay, and grade, can be attributed to why the GS personnel system enjoyed a rather long tenure as the personnel system within the DoD. Employees grew to expect the 'fair' longevity basis for evaluation and compensation under this system. As managers and supervisors found inflexibilities in the system's ability to recognize truly exceptional performers, as well as to punish non-acceptable performers, the message communicated from the organization and the supervisors, in both words and actions, was that the system would compensate employees for merely filling seats.

The message communicated to the employees for the cultural change resulting from pay for performance, as implemented through NSPS needed to be the exact opposite message. The fundamental pay-for-performance principal, a cornerstone of NSPS, is based upon the fact that it is not fair to treat everybody as equals. On the contrary, it is actually unfair to treat everybody as equal. NSPS redefines 'fair' by paying employees based upon differing levels of performance, rather than paying employees similarly, regardless of their performance. Quite simply, if an employee performs above and beyond the agreed upon objectives, the employee should be compensated accordingly. Conversely, if another employee's performance is not satisfactorily meeting his or her objectives, the employee should not be rewarded. One common criticism of the current GS personnel system was its inability to differentiate between the two.[47] Once the message of inequality is successfully communicated from the organization and supervisors to the employee, it needs to be followed up by actions. These actions help to create an environment of accountability. This holds all levels of employees, supervisory and non-supervisory, accountable. For employees, this manifests itself into the reconciliation of individual work objectives and accomplishments. For supervisors, this

[46] R. C., Mayer, J. H., Davis, and F. D. Schoorman, "An Integrative Model of Organizational Trust," *Academy of Management Review* 20 (1995): 709–734.

[47] OPM, A White Paper: A Fresh Start for Federal Pay: The Case for Modernization, v.

manifests itself into both reconciliation of objections and accomplishments, as well as implementing the pay for performance system as transparently as possible, in order to sustain, maintain, and improve credibility and trust of not only the system, but of the supervisors chartered to maintain this. As employees participate in multiple cycles of the evaluation and pay pool panel process, recognition of contributions and corresponding accurate proportional rewards will bolster and maintain the trust between the employee and the organization. As a result, the change in personnel system will begin to be internalized, deemed necessary, accepted, and championed by the employees. Through this process, trust is built between the employee and management. This trust between the workforce and the managers will manifest itself in a more productive workforce, as identified by the research and report of Richard Thompson, "Organizational Change: An Assessment of Trust and Cynicism."[48]

G. PROBLEM IDENTIFICATION

Perception can be defined as "the process by which people translate sensory impressions into a coherent and unified view of the world around them. Though necessarily based on incomplete and unverified (or unreliable) information, perception is the reality that guides human behavior."[49] According to this definition, it is then reasonable to conclude that perceptions can form the basis of an individual's reality. Perceptions are often based upon personal experiences, beliefs, preconceived notions, relative perspectives, and points of view. These perceptions, whether based in reality and fact, or in beliefs and opinion, often guide the thoughts and actions of individuals and organizations.

With the assertion that the DoD needed to reform the civilian personnel system, the belief, and perhaps perception by top ranking Bush Administration and DoD leadership was that the old system was broken, and that a new system needed to address the incumbent system's shortcomings.

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[48] Richard C. Thompson, and Kurt. M. Joseph et al., "Organizational Change: An Assessment of Trust and Cynicism," *Office of Aviation Medicine, U.S. Department of Transportation, Federal Aviation Administration* (May 2000): i.

[49] Definition of Perception, www.businessdictionary.com.

Specifically, the Bush Administration and former Secretary Rumsfeld reiterated and identified the current personnel system inadequacies shortly after the terrorist attacks on the United States of America on September 11, 2001.[50] DoD leadership claimed that the current personnel system was incapable of adequately addressing the 21st century national security environment, it made support of DoD's mission costly, complex, and ultimately risky, it encouraged a dispute-oriented adversarial relationship between management and labor, and its systematic inefficiencies degraded the potential effectiveness of the workforce.

One area identified which needed change and improvement was the personnel process responsible for recruiting, compensating, and retaining the civilian workforce. Reasons cited often were that the incumbent personnel system created a "one-size fits all management structure" and that the system led to a "vanishing talent within the government."[51] Many people believed that the General Schedule (GS) compensation system made "too few distinctions between hard-working high-achievers and indifferent non-achievers."[52] According to some critics, the GS system could be summarized by "the best are underpaid, and the worst are overpaid."[53]

Issued August 9, 2004, the results for the Department of Defense for the President's Management Agenda under Strategic Management of Human Capital highlighted that as of March 2003, "DoD had 1,262 fewer supervisory positions and 1,239 fewer manager positions as compared to September 2001."[54] This reduction in key management positions reinforced the current personnel system's inability to retain key personnel management positions.

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[50] U.S. Senate Committee on Governmental Affairs, Transforming the DoD Personnel System: Finding the Right Approach, S Hearing 108–185, 108th Cong., 1st sess., June 4, 2003.

[51] Brook, King, Prater, and Timmerman, *National Security Personnel System: A History of the Creation and Enactment of the NSPS Legislation*, 9.

[52] Ibid.

[53] Ibid.

[54] President's Management Agenda: The Results for the Department of Defense, Strategic Management of Human Capital, August 9, 2004, 3.

Like many other federal agencies and departments, the DoD has an aging workforce. Private sector contractors create significant competition for skilled employees and increasing budgetary oversight from Congress requires that the DoD spend its funding more efficiently and effectively. All these factors point toward the perceived need to implement a new pay system, which fosters an environment that attracts, rewards, and retains the best possible talent for the DoD. In addition to the previously mentioned persistent global military conflict, DoD leadership has demanded that their civilian employees assume more risk, and be more innovative, agile, and accountable, than ever before.

To adapt to this new business and work environment, the DoD envisioned transforming the organizational culture of its human resources environment from an inflexible, one-size-fits-all system, which defines work, hires staff and advances personnel, to a new system, which is more agile, innovative, and accountable. To accommodate and facilitate this transformation, the DoD planned to implement a more flexible performance based and mission-driven system of human resource management. The goal was to replace the GS cultural mindset with a new performance based payment system under NSPS. The Best Practices Task Force examined two Alternate Personnel Systems (APS) and nine previously established demonstration projects.[55] The DoD used this task force's findings in order to establish the best practices of human resourcing and the form the fundamental framework for NSPS.

H. PRECEDENCE FOR PAY FOR PERFORMANCE WITHIN THE FEDERAL GOVERNMENT

The term pay for performance typically refers to a compensation strategy or system where employee performance significantly influences the amount of pay increases or awards given to each employee. The U.S. MSPB believes that pay for performance programs are successful when "outstanding performers are offered the greatest rewards to recognize their contributions and motivate them to continue or, better yet, increase their high performance, the average performers receive smaller rewards to encourage them to

[55] OSD, Federal Register, vol. 68, no. 63, 16120.

work harder to achieve larger increases in the future, and the poor performers do not receive an increase of any amount to persuade them to improve their performance or leave the organization."[56]

In 1984, one of the most recent precedents of the federal government attempting to apply a form of pay for performance into the workforce occurred. OPM replaced the Merit Pay System with the Performance Management and Recognition System (PMRS). The goal of this new system was to improve recognition of exceptional performance by enabling lump-sum cash rewards. However, reports conducted by GAO revealed, "employees within the same grade, with the same performance evaluation, were not consistently rewarded."[57] This new pay for performance system attempted to link financial rewards with superior work effort; however, the employees working under the system, as well as agencies reviewing the system, did not perceive and could not establish a clear correlation between the two.

OPM researched performance-oriented pay systems and concluded that the success of a performance-oriented pay system depends on the establishment of a quality performance management system. In order to achieve this success, OPM recommended that the government "establish the essential principles of equity, procedural justice, and openness, convey to employees an unambiguous message that performance matters, and establish an effective pay-for-performance strategy that is embraced by the employees, and emphasized by management."[58] OPM also concluded that a poorly implemented pay for performance system can "produce a lack of credibility in both the employees and management."[59]

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[56] Erin J. Freitag, "Fairness and Ethical Considerations in Pay for Performance in NSPS," *USAWC Strategy Research Project*, March 15, 2008, 4.

[57] Ibid., 14.

[58] OPM, A White Paper, "A Fresh Start for Federal Pay: The Case for Modernization," 64.

[59] Ibid.

I. NATIONAL SECURITY PERSONNEL SYSTEM (NSPS)

The federal employee pay system remained largely unchanged until the spring of 2003, when the Bush Administration and then Secretary of Defense Donald Rumsfeld asked Congress' permission to revise the federal personnel pay system covering DoD civilian employees. As a basis for this request, DoD leadership cited many problems and issues with the old system. These problems included that the current system was "inadequate in managing DoD civilian personnel; the process to hire new employees was too slow, which caused an adverse effect on recruiting; outstanding performers were paid the same as poor performers under the current GS system; reassigning personnel to support changing mission requirements was too difficult; and poor performers were not held accountable."[60]

These same perceptions were echoed outside of DoD by OPM in 2002. An OPM report revealed that, "the current pay system has a minimal ability to encourage and reward achievement and results—over 75% of the increase in federal pay bears no relationship to individual achievement or competence."[61]

Under NSPS, the DoD's primary focus was to create a higher performing workforce, by again attempting to link pay to performance. The NSPS guiding principles included: "putting mission first; respecting the individual (to include protecting rights guaranteed by law); value talent, performance, leadership, and commitment to public service; be flexible, understandable, credible, responsive, and executable; ensure accountability at all levels; balance human resource system interoperability with unique mission requirement; be competitive and cost effective."[62] DoD intended to modernize the federal pay system by reclassifying jobs and placing employees in broad pay bands that were intended to provide managers more flexibility in hiring, setting employee raises, and retaining the high quality employees to meet mission goals and objectives.

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[60] Gordon R. England, "Requirement Document for National Security Personnel System," (September 25, 2004): 5–6.

[61] OPM, A White Paper, "A Fresh Start for Federal Pay: The Case for Modernization," v.

[62] England, "Requirement Document for National Security Personnel System," 5.

1. NSPS KPPs

The overarching NSPS mission objective was to "place the right civilian employee in the right job with the right skills at the right time at the right cost."[63] The NSPS requirement document identifies a KPP as "a capability or characteristic that is so significant that failure to meet a minimum "threshold" can be cause for that element, concept or system to be re-evaluated, or the program to be reassessed or terminated."[64]

Attributes are then derived from KPPs, and these individual attributes are used to measure, status, and evaluate the program's progress and success. Six Key Performance Parameters (KPPs) were derived from the NSPS mission objective. These KPPs were deemed critical to the successful implementation, acceptance, and longevity of NSPS.

KPP1 identified a "high-performing workforce and management," characterized by "employees and supervisors who are compensated and retained based on their performance and contribution to mission."[65] KPP2 identified an "agile and responsive workforce and management," characterized by a "workforce that can be easily sized, shaped, and deployed to meet changing mission requirements."[66] KPP3 identified a system, which is "credible and trusted," characterized by "a system, which assures openness, clarity, accountability and adherence to the public employment principles of merit and fitness."[67] KPP4 identified a "fiscally sound" program, characterized by "aggregate increases in civilian payroll, at the appropriations level, will conform to OMB fiscal guidance; managers will have flexibility to manage and to budget at the unit level."[68] KPP5 identified the critical need to have "supporting infrastructure" in place to successfully implement this new system. This was characterized by "information technology support, training, and change management plans should be available and

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[63] England, "Requirement Document for National Security Personnel System," 6.

[64] National Security Personnel System (NSPS) Requirements Document, September 24, 2004, 7.

[65] Ibid.

[66] Ibid.

[67] Ibid.

[68] Ibid.

funded."[69] Finally, KPP6 identified the necessary "schedule" for implementation of NSPS, characterized by "NSPS will be operational and stable in sufficient time to evaluate it before the labor relations (LR) system sunset date (November 2009)."[70]

2. Fundamental Components of NSPS

The fundamental components for the new personnel system defined in the requirements document included, "NSPS must include a performance management system, including pay for performance."[71] The new system was formed broadly to cover human resources, employee appeals, and labor relations. Items that were up for substantial change under NSPS included, "staffing and workforce resizing, pay rates and systems, job classification, performance management, labor-management relations, and discipline, adverse actions and employee appeals."[72] By law, NSPS was prohibited from changing, "merit system principles, prohibited personnel practices, including violations of veterans' preference, laws against prohibited discrimination, leave and attendance, travel, transportation, and subsistence, allowances, incentive awards, retirement, health benefits and life insurance benefits, firefighter overtime pay calculation, employee training, suitability and security, safety and drug abuse programs, and Defense Laboratory Personnel Demonstration projects (before 2008)."[73]

In order to achieve the NSPS KPPs, one fundamental component implemented by NSPS was the reclassification of occupations. The GS classification system contained hundreds of job series, each containing 15 pay grades and 10 steps. NSPS restructures the classification of employee occupations with four career groups, each containing broad pay bands. These career groups include standard, scientific and engineering, medical, and investigative.

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[69] National Security Personnel System (NSPS) Requirements Document, 7.

[70] Ibid.

[71] Ibid., 4.

[72] Ibid.

[73] Ibid.

Another fundamental component implemented by NSPS was a new performance management system. This new performance management system was "implemented to ensure standardization of evaluation and compensation."[74] This system was designed to reward employees based on performance and contribution to the organizational mission. The system operates in five phases including planning, monitoring, developing, rating, and rewarding.

The planning phase begins with the employee creating objectives, and then subsequently reviewing these with their supervisor to ensure consistency with organizational goals. The supervisor and employee discuss performance expectations, develop job objectives, identify contributing factors, and establish a process for continuous communication. Contributing factors are defined as "work attributes and behaviors demonstrated while accomplishing a job objective."[75] A supervisor can select from seven attributes for each job objective. The attributes include "communication, cooperation and teamwork, critical thinking, customer focus, leadership, resource management, and technical proficiency."[76] Depending upon type of work and occupation, typically one to three contributing factors are selected for each job objective.

During the monitoring phase, the supervisor monitors the employee's performance to identify areas where the employee excels, as well as to address areas that need improvement. The supervisor provides feedback via an interim review, and if necessary can adjust the performance plan. The monitoring phase enables the supervisor to "focus on improving employees' weaknesses prior to the rating and rewarding phases."[77] The interim review also serves in part as the developing phase where the supervisor and employee can discuss opportunities for the employee to further develop via professional or technical development and training opportunities.

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[74] Department of Defense, National Security Personnel System Program Executive Office, "HR Elements for Managers, Supervisors, and Employees: A Guide to NSPS, Spiral 1, Version 3," 38.

[75] Ibid., 30–31.

[76] Ibid., 30.

[77] Ibid., 30–33.

The rating phase occurs after the employee documents and submits accomplishments towards earlier agreed upon objectives. The communication of accomplishments in written format is critical to the evaluation of the employee. The acronym SMART was developed by the Army and used by other agencies within the DoD to help employees communicate their objectives to their supervisors. This acronym stands for "specific, measurable, aligned, realistic/relevant, and timed"[78] The rating phase is a two-step process, which begins with evaluation of accomplishments against objectives. The supervisor assigns a rating of one to five for each job objective. The significance of these rating numbers can be seen in Table 1. The supervisor then assesses the progress of contributing factors for each objective in order to determine if the initial rating should be increased, decreased, or remain unchanged. The adjusted objective ratings are then averaged to determine a final performance evaluation rating.[79] The supervisor then provides a recommendation on the overall rating, number of corresponding shares, and payout distribution.

Table 1. NSPS Ratings, Description, and Monetary Reward[80]

Rating/Description	**Share Range**	**Salary Increase or Bonus**
1/Unacceptable	0	None
2/Fair	0	None
3/Valued Performer	1–2	Salary Increase, Bonus, or Combination
4/Exceeds Expectations	3–4	50–300% more than 3 rating
5/Role Model	5–6	150–500% more than 3 rating

The final phase is the rewarding phase. In this phase, the final overall rating determined by the supervisor is provided to a pay pool panel. During the pay pool process, the pay pool panel reviews the supervisor's recommended rating, share assignment, and payout distribution. The panel has the authority to adjust ratings, share assignments, and payout distributions to ensure equity and consistency across the pay

[78] U.S. Department of Army, "Job Objective Writing Guide," January 2007, 2.

[79] Department of Defense, National Security Personnel System Program Executive Office, "HR Elements for Managers, Supervisors, and Employees: A Guide to NSPS, Spiral 1, Version 3," 34.

[80] Ibid., 35.

pool. Upon completion of this panel, the supervisor informs the employee of the final rating and payout decision. The supervisor is not permitted to share the original rating with the employee.[81] In NSPS, funds are pooled and used to fund the pay increases determined at the end of the performance appraisal cycle.[82]

3. Implementation of NSPS

a. Identification of Key Stakeholders

In order for NSPS to be successfully implemented, key stakeholders needed to be in agreement upon the need for change, and how to implement the agreed upon change. One definition of a stakeholder is, "A person, group, or organization that has a direct or indirect stake in an organization because it can affect or be affected by the organization's actions, objectives, and policies. Key stakeholders can include customers, directors, employees, government (and its agencies), unions, and the community from which the business draws its resources. All stakeholders are not equal, and different stakeholders are entitled to different considerations."[83]

Based upon this definition, the key stakeholders of NSPS can be split into two basic groups. These groups include those who are directly affected and impacted by the implementation of NSPS, and those who have an interest in it, yet are primarily indirectly impacted. Due to the nature of the two groups, the opinions, perceptions, and attitudes of the first group will bear more weight during the course of analysis.

One of the most important stakeholders in the first group is the DoD civilian employee. This can be broken into employees, which have been transitioned to NSPS, and those who were planned to be transitioned to NSPS. These two groups can then be broken into employees, managers, and supervisors. Another organization, which is directly impacted by NSPS, is the remaining DoD community. This community is

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[81] Department of Defense, National Security Personnel System Program Executive Office, "HR Elements for Managers, Supervisors, and Employees: A Guide to NSPS, Spiral 1, Version 3," 35.

[82] National Security Personnel System (NSPS) Requirements Document, 101.

[83] Business Dictionary, Stakeholder Definition, http://www.businessdictionary.com/definition/stakeholder.html.

comprised of the DoD leadership and the Program Executive Office (PEO) responsible for implementing NSPS. A third community, which is directly affected by the implementation of NSPS, is organized labor. There are several labor unions that represent DoD civilian employees, but for the purposes of this research, they will be collectively referred to as the Union. Finally, the last group of organizations, which fit into the indirectly impacted category, includes the oversight community. This includes Congress, OPM, GAO, and independent oversight and review committees. The NSPS stakeholders by category can be seen in Figure 4.

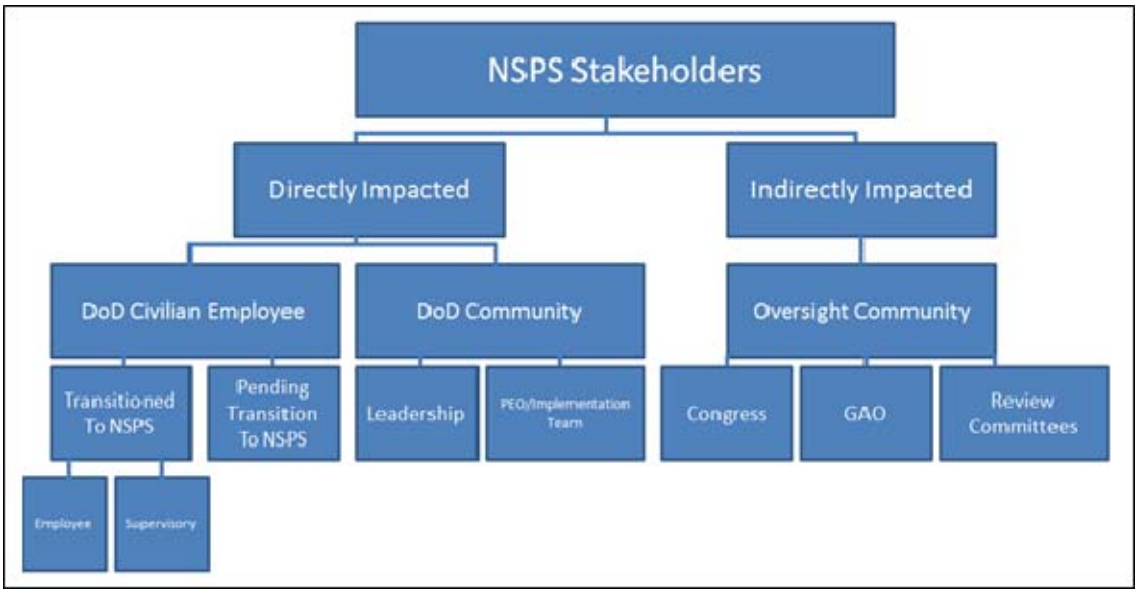

Figure 4. NSPS Stakeholders

The key stakeholders who were taken into consideration for this report include those DoD civilian employees already transitioned to NSPS (NSPS employees), non-NSPS employees that were planned to and eventually would have been transitioned to NSPS (Non-NSPS employees), the DoD leadership, community, and PEO organization responsible for implementing NSPS (DoD), the oversight community (Congress) and (OPM), and the collective bargaining and employee rights protection organizations (Union).

b. Anticipated Impacts

From a high-performing employee's perspective, one of the perceived anticipated impacts of NSPS was the less cumbersome and more streamlined recruitment process, which would enable a prospective federal employee to gain employment more quickly.[84] During the recruitment process, NSPS also was designed to have greater flexibility to provide more competitive compensation packages as compared to the incumbent GS system. Once assimilated into an organization, NSPS would provide a reward system, which places emphasis on the relationship between objectives, accomplishments, performance, and resultant pay.[85] Finally, NSPS was created to foster a high-performing work environment, which would attract other high-performing professionals. With less rigid and discretely defined occupational series, NSPS allows easier reassignment within career groups. Finally, the ability to eliminate the within-grade increases and reduce the retention of less than productive employees was also anticipated by high-performing employees.[86]

A low-performing employee could have the exact opposite concerns as those just mentioned. Under the GS system, a less productive employee is rewarded annually with step increases, locality pay, and cost of living allowances (COLA). Under NSPS, portions of these items are given, and portions of them must be earned. Employees in jeopardy of losing this salary perceive this as a negative impact on the workforce.[87] Speculation from low-performing employees also include that supervisors will have a larger role in determining pay raises under NSPS.[88] Inherent with management positions, a supervisor will always play a large role in determining the performance, or lack thereof of an employee. Therefore, the very nature of a performance evaluation can be viewed as

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[84] Annette I. Sercey, *Advantages and Disadvantages of the National Security Personnel System as Compared to the General Schedule Personnel System* (Naval Postgraduate School, Joint Applied Project, December 2005), 19.

[85] National Security Personnel System (NSPS) Requirements Document, 28, 101.

[86] Sercey, *Advantages and Disadvantages of the National Security Personnel System as Compared to the General Schedule Personnel System*, 19.

[87] Ibid.

[88] Ibid.

subjective. In this regard, the primary difference between the GS and NSPS is that NSPS now provides the supervisor a more direct method of correcting the actions of a low-performing individual. These employees perceive the lack of transparency on the pay pool panel process as potentially opening the door to favoritism. Finally, the new system places greater emphasis on the performance assessment through metrics and ratings. Low-performing employees perceive negative impacts with supervisory experience with the new system. They believe that supervisors with insufficient training will be unqualified to defend their employees at the pay pool panel, as compared to other supervisors with a better understanding of the system.[89]

From a management and supervisory perspective, there are also perceived impacts to implementing NSPS. With respect to perceived beneficial impacts for supervisors, NSPS aimed to expand management rights and sought to limit union influence. NSPS reduced the role and authority of the independent Federal Labor Relations Authority (FLRA) by creating the National Security Labor Relations Board (NSLRB), which was an "independent review board operated within DoD to adjudicate DoD employee grievances."[90] The obvious concern here (by the unions primarily) was how objective the new NSLRB would be, since it was internal to the DoD.

Managers and supervisors also perceived a benefit in the increased resolution of performance evaluation.[91] The NSPS scale of one to five permits differentiation between average, above average, and excellent performers, corresponding to scores of three, four, and five respectively. The former system scored from one to three, where ones were rarely given out; therefore, most employees were lumped into a forced distribution of either twos, or most often threes. With NSPS, non-performers had the opportunity to be evaluated at either a level two or one, which meant little or no reward. The restructuring of job classification would help to attract and retain skilled

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[89] Sercey, *Advantages and Disadvantages of the National Security Personnel System as Compared to the General Schedule Personnel System*, 19–20.

[90] Douglas A. Brook, Nicholas M. Schroeder, and Cynthia L. King, *National Security Personnel System: The Period of Implementation (November 24, 2003–-January 16, 2009)* (Center for Defense Management Reform Technical Report Series, January 23, 2010), 10.

[91] Sercey, *Advantages and Disadvantages of the National Security Personnel System as Compared to the General Schedule Personnel System*, 20.

workers by adjusting pay ranges to correspond with local market and occupational conditions and offer competitive salaries. The restructuring would also eliminate the GS system's time-in-grade restrictions, providing managers more opportunity to compensate high-performing employees.

From the perspective of managers and supervisors there were also some perceived negative impacts of implementing NSPS with respect to funding. Supervisors felt there was potential for less control over their portion of the organization's funding due to NSPS's appointed managers, who were responsible for dividing the entire organization's funds.[92] Managers also expressed concern over NSPS's available pool of funding being constrained by the budget. Finally, supervisors and managers realized that the implementation of NSPS would create an additional workload on the management employees. With a reduced workforce, "supervisors cited they were overworked and had little time to devote to effectively implementing a new personnel system."[93]

While DoD civilian employees and supervisors could perceive both positive and less than positive impacts with implementing NSPS, the union's perspective was virtually full of nothing but disadvantages and negative consequences. In summary, the union strongly distrusts NSPS, and the DoD leadership who were pushing to get it implemented. They perceived that the new system significantly reduced labor relations and sought to take away many of the employee protections afforded under the previous system.[94] The labor unions disagreed with DoD on the fundamental principles, which enabled NSPS to be implemented in the first place. DoD contended the old system was broken, while the union contended that the old system was just fine, but rather the management was not properly implementing and enforcing the old system. President of the AFL-CIO stated, "The real problem they're trying to fix is bad management. NSPS is

[92] Sercey, *Advantages and Disadvantages of the National Security Personnel System as Compared to the General Schedule Personnel System*, 20.

[93] Jeffrey Parsons, Executive Director, ACC, Interview, March 12, 2010.

[94] Brook, Schroeder, and King, *National Security Personnel System: The Period of Implementation (November 24, 2003-January 16, 2009)*, 9–10.

not going to fix this problem; it is going to make it worse."[95] The union believed that supervisors did a poor job of documenting and disciplining poor performance. They also perceived that problems with the old system stemmed from insufficient performance standards and insufficient communication and feedback from supervisor to employee. The union's other big concern was the lack of independent review of employee appeals. The union perceived that the aforementioned NSLRB was independent in name only due to NSLRB membership being appointed by the Secretary of Defense.[96]

DoD leadership was the primary proponent for NSPS, so not surprisingly they did not perceive any negative impacts with NSPS, and felt that the new system provided several significant positive impacts, benefits, and advantages. These advantages were identified in part under the GS section, as well as under the employee, supervisor, and management sections. DoD officials did recognize that implementing change on such a large scale would require overcoming challenges, however most of these fielded concerns were general in nature, and could be applied to the implementation of change across any large organization. DoD leadership also perceived that NSPS would create greater opportunities for civilians to contribute to the DoD mission as reassignment within career groups is anticipated to be easier than the current GS system.

4. Changing the DoD Civilian Personnel System

The vision of DoD to change the entire civilian personnel system represents a large undertaking. Linda Ackerman documents three perspectives on change, which organizations often traverse. These forms of change include "developmental, transitional, and transformational."[97]

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[95] Christopher Lee and Stephen Barr, "Pentagon to Retool Personnel System," *Washington Post*, February 10, 2005.

[96] Brook, Schroeder, and King, *National Security Personnel System: The Period of Implementation (November 24, 2003–January 16, 2009)*, 23.

[97] Linda Ackerman, "Development, Transition or Transformation: The Question of Change in Organizations," *OD Practitioner* (December 1986): 1–8, in Managing Change, ed. Todd D. Jack and Maury A. Peiperl, 2nd ed. (New York: McGraw Hill, 2003), xvi.

Transitional change "replaces the status quo, or current way of doing things, with new processes and systems through a step-wise evolutionary approach."[98] This definition describes the transitional change DoD would need to implement in order to transition from GS to NSPS. Risks in the transitional change process include "if the change is motivated solely on need (i.e., is negatively based), people may resent the implication about their past performance and resist it."[99] In order to successfully implement this change, there must be an honest evaluation of the current system, and identified benefits of the future system need to be internalized and accepted. A second risk during this form of change is the assumption that "when the change is fully implemented, the change will fully cure all negative aspects which began the change process."[100] Without continual communication from the supervisor to the employee on the critical need to remain flexible and adaptable during the change process, the organization faces the risk of having to go through multiple iterations of change.

In order to create and implement major change, Harvard Professor John Kotter suggests there are eight steps, which an organization must effectively navigate in order to maximize the chances of successful change and transition. These steps include "establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, communicating the change vision, empowering broad-based action, generating short-term wins, consolidating gains and producing more change, and anchoring new approaches in the culture."[101]

The first step is characterized by "identifying the need for change, establishing a sense of urgency, and examining the environment for crises, potential crises, and opportunities to benefit from change."[102] This step was championed by Secretary of

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[98] Linda Ackerman, "Development, Transition or Transformation: The Question of Change in Organizations," *OD Practitioner* (December 1986): 1–8, in Managing Change, ed. Todd D. Jack and Maury A. Peiperl, 2nd ed. (New York: McGraw Hill, 2003), 48.

[99] Ackerman, "Development, Transition or Transformation: The Question of Change in Organizations," 53.

[100] Ibid., 54.

[101] Kotter, *Leading Change*, 1.

[102] Ibid.

Defense Donald Rumsfeld, as identified in the "September 2001 Quadrennial Defense Review and more specifically tailored to the DoD civilian workforce during a speech presented at the National Defense University in January 31, 2002" [103] During his speech, he cast the vision of wanting to transform the culture and behavior of the civilian workforce from "behavior less like bureaucrats, and more like venture capitalists."[104] As identified by Brook et al., other activities and events that planted the seed for change within the civilian personnel system included "the U.S. Commission on National Security/21st Century Phase III report, the National Commission on the Public Service, the President's Management Agenda for FY 2002, and the Homeland Security Act of 2002."[105] These events identified problems with management of the federal workforce, and the President established the management of the federal government's human resources as a top priority, with emphasis on linking pay to performance.

Events which directly addressed the DoD human resources issues, and the need to make human resourcing a higher priority, included "the DoD 2001 Quadrennial Defense Review, the Defense Science Board Task Force on Human Resources Strategy Report, The DoD Human Resources Strategic Plan, and the National Defense Authorization Act (NDAA) for FY 2003."[106] These events and subsequent reports revealed significant problems with the structure and management of the DoD civilian workforce, and called for DoD to transform its human resources practices. The strategic plan revealed best practices in civilian human resource management. These best practices would be used to form the underpinnings, or KPPs of NSPS.

The second step of creating and implementing major change consists of "putting together a group consisting of the key stakeholders with enough power and authority to lead the change, and getting this group to work as a team."[107] The NDAA, which

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[103] Brook, King, Prater, and Timmerman, *National Security Personnel System: A History of the Creation and Enactment of the NSPS Legislation*, 21.

[104] Brook, King, Prater, Timmerman, *National Security Personnel System: A History of the Creation and Enactment of the NSPS Legislation*, 21.

[105] Ibid., 5–6.

[106] Ibid.

[107] Kotter, *Leading Change*, 1.

authorized the creation of a personnel system, such as NSPS, included legislative language, which would enable the DoD to incorporate the views and opinions of many stakeholders. The NDAA established the Secretary of Defense and the Director of OPM responsible for the design and implementation of NSPS. It also included "a means for ensuring employee involvement,"[108] which less directly implied that the DoD needed to include the Unions in the design, development, and implementation of the new system.

Initially, the DoD did not coordinate or confer with either the OPM or the Unions. Secretary Rumsfeld pushed the aggressive implementation schedule (see Table 2) of NSPS without coordination with either OPM or the Union.[109] This initial push to implement NSPS occurred from November 24, 2003 to March 11, 2004.[110] The lack of coordination on the part of the DoD eroded their credibility and trust, especially from the perspective of the Union.[111] Getting agreement on the importance of the stakeholders and identifying their role is especially critical when considering the implementation of widespread change. If representation from any key stakeholder is missing at this phase of major change, "the lack of strong team unity to guide the effort usually proves fatal."[112] At this phase, "teamwork is a fundamental principle of the guiding coalition, and the one necessary component to teamwork is trust."[113] From the onset, DoD's actions (or lack thereof when it came to coordinating with the unions and OPM) created a lack of trust, and therefore a lack of credibility among many who would be involved with the process.[114]

Within the DoD, an NSPS implementation office was created on December 1, 2004.[115] As the name suggests, the authority given to, and the primary focus of this group

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[108] Brook, King, Prater, and Timmerman, *National Security Personnel System: A History of the Creation and Enactment of the NSPS Legislation*, 9–10.

[109] Ibid., 6.

[110] Ibid., 4.

[111] Kotter, *Leading Change*, 57.

[112] Ibid.

[113] Ibid., 61.

[114] Brook, Schroeder, and King, *National Security Personnel System: The Period of Implementation (November 24, 2003–January 16, 2009)*, 10.

[115] Ibid., 6.

was to implement NSPS. Another key role was to design the system to be implemented. The aggressive schedule championed by DoD leadership suggests the culture around the initial implementation of NSPS seemed to be categorized by pushing something out the door and then fixing it later as the system was implemented. This model can work to a varying degree for a typical program manager or program executive office fielding hardware or equipment to a soldier in the field. This is true because something is usually better than nothing to a soldier on the battlefield. With the lack of trust and eroded credibility established during the initial implementation of NSPS, the same analogy to fielding NSPS falls short. The Union believed strongly that there really was not a need to change, and therefore the *something* that DoD was providing (NSPS) was in fact not better than the nothing that the DoD civilian employee already had (GS).[116] This fundamental disagreement between the Union and DoD would prove to be a challenge and hurdle that the DoD would have to continually face.

Table 2. NSPS Implementation Schedule—June 2007[117]

Key Events	**Expected Timing**
Proposed Regulations in Federal Register	February 2005
Meet and Confer Process	April–June 2005
Final Regulations in Federal Register	November 2005
Continuing Collaboration on Implementing Issuances	1st/2nd Qtr FY 2006
Commence Training	2nd Qtr FY 2006
Begin Implementation of NSPS HR System, Spiral 1.1	April 30, 2006
Implement NSPS LR system	On Hold
Expand Spiral One, up to 300,000 personnel	FY 2007
First Performance based Payout for Spiral 1.1	January 2007
Adjust NSPS, with continuing collaboration	FY 2007—as occurs
Complete Full Implementation of NSPS	January 2009

The third step includes "creating a vision which the team can rally behind, and developing strategies to achieve this vision."[118] An organization's foundation often is set

[116] Brook, Schroeder, and King, *National Security Personnel System: The Period of Implementation (November 24, 2003–January 16, 2009)*, 7–10.

[117] NSPS Evaluation Plan, June 30, 2007, Mary Lacey, 3–4.

[118] Kotter, *Leading Change*, 68–69.

upon management's philosophy, values, vision, and goals. This in turn drives the organizational culture composed of the formal organization, informal organization, and the social environment. Organizational culture often determines the type of leadership, communication style, and group dynamics within the organization. DoD civilian employees perceive the combination of these items as their quality of work life, which in turn directs their degree of motivation. The final outcome of individual motivation manifests itself as job performance, individual satisfaction, personal growth, and career development. These elements combine to build the framework that an organization operates from, and that the DoD hoped to move towards and achieve through NSPS.

The first effort by DoD to implement NSPS concluded when "Secretary Rumsfeld directed a strategic and comprehensive review of NSPS on March 12, 2004."[119] Rumsfeld ordered this review after the DoD and OPM met with the Unions in late February, and DoD met with OPM/OMB in early March. The Unions accused the DoD of not meeting and conferring with respect to the labor relations. The OPM also stated that they were not really involved or included in the initial design of NSPS.[120] During the strategic pause, several groups reviewed the design and implementation of NSPS to date. The result of this strategic pause was a change in course, a new vision cast, and a different strategy formed. The work groups concluded that modeling the system after the best practices findings should be abandoned, and the DoD should form a Program Executive Office to implement NSPS.[121] The formation of the PEO was familiar to the DoD, and therefore provided a level of comfort and credibility from within that DoD was taking a step in the correct direction to address the problems from the initial implementation period.

The fourth step includes "using any and every available means to communicate this vision to the organization, as well as the leadership group modeling the behavior

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[119] Brook, Schroeder, and King, *National Security Personnel System: The Period of Implementation (November 24, 2003–January 16, 2009)*, 35.

[120] Ibid., 10–11.

[121] Ibid., 15.

expected out of employees for change."[122] Once the PEO was established, a primary focus of the DoD and PEO's communication strategy became the development of a NSPS website, which was introduced on June 8, 2004.[123] This website was used to provide information about the NSPS design and implementation to the workforce, as well as to solicit feedback from employees being phased in to the new system. In addition, training was identified as a key initiative, which would be critical in educating the workforce on the need for NSPS, the advantages of NSPS, and how to navigate through the new system. One of the fundamental courses established in order to meet these objectives was NSPS 101. Kotter warned against communicating in a data dumping fashion when he stated, "Those on a guiding coalition often act as if everyone else in the organization should become clear and comfortable with the resulting vision in a fraction of the time. So a gallon of information is dumped into a river of routine communication, where it is quickly diluted, lost, and forgotten."[124] The PEO recognized this challenge with using the NSPS website as the only means of communication to the workforce, therefore town hall meetings were held to provide information, and more importantly to get input and feedback on the transition and implementation of NSPS. In addition to opening the lines of communication with the employees, PEO also began to establish substantial communications with the Union. This process was described as meet and confer, where PEO provided a proposal to the Union on topics pertinent to them, and the Union would then provide their comments to this proposal. The two organizations would then meet and discuss the proposal and comments, to determine if middle ground could be achieved. While the PEO and Union agreed on little, it did resemble a step in the right direction in terms of incorporating the voices of the key stakeholders.

The fifth step includes "getting rid of obstacles, changing systems, processes, and structures, which undermine change, and encouraging the workforce to take risks to support the implementation of the change."[125] DoD initially followed this step when it

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[122] Kotter, *Leading Change*, 1.

[123] Brook, Schroeder, and King, *National Security Personnel System: The Period of Implementation (November 24, 2003–January 16, 2009)*, 10–19.

[124] Kotter, *Leading Change*, 88.

[125] Ibid., 102.

considered the consultation of both the Unions and OPM as largely unnecessary. As originally drafted, the initial implementation strategy contained significant risk with "the planned conversion of 300,000 employees in six months (April to October 2004)."[126]

In late 2005, the Union filed suit against the DoD and OPM on the legality of the proposed NSPS regulations. DoD and OPM lost the court ruling, which in part, resulted in NSPS not being transitioned to employees covered by the Unions. This result can be viewed in a negative light from the perspective of the DoD; however, this result enabled the PEO to focus their efforts on transitioning less difficult groups of civilian employees into NSPS.

The sixth activity includes "projecting forward plans, which produce visible change, to capture 'wins' or 'benefits' for change. Once these are achieved, visible and public recognition of these changes should be recognized and communicated across the organization."[127] PEO and DoD's focus early in implementing NSPS was on getting employees transitioned. Kotter believes that a good short-term win is "visible, unambiguous, and is clearly related to the change effort."[128] On April 15, 2007, Perez-Rodriguez became the 100,000th employee to be converted to NSPS.[129] The Deputy Secretary of Defense, Gordon England, who played a large role in NSPS was present to recognize the event and to provide an award, as well as then NSPS PEO Mary Lacey, who stated, "Exceeding the hundred thousand mark reflects the success of NSPS and the dedication of employees who were critical in moving the system forward. We understand that NSPS is hard work. Antonio is one of many civilians who work hard at building a results-oriented workforce in the Department."[130] This event was clearly visible, unambiguous, and related to the change effort.

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[126] Brook, Schroeder, and King, *National Security Personnel System: The Period of Implementation (November 24, 2003–January 16, 2009*), 6.

[127] Kotter, *Leading Change*, 1.

[128] Ibid., 122.

[129] NSPS Web site: Featured Stories, http://www.cpms.osd.mil/nsps/1000.html.

[130] Ibid.

The seventh step includes hiring and promoting people who can successfully implement the change. Implementing widespread change takes a long time. One consequence of the protracted timeline of major change implementation is the "loss of the key individuals who championed the change."[131] During the spring of 2007, the 100,000th employee transitioned to NSPS. Even though the Unions won legal court battles, which reduced the implementation of NSPS to non-bargained for employees,[132] it appeared that NSPS was successfully implementing change. OPM released a review of NSPS, *Creating a Foundation for the 21st Century Federal Workforce: An Assessment of the Implementation of the DoD NSPS*, which concluded "that DoD had effectively planned for the implementation of NSPS, that establishing the PEO was key to the success to date of NSPS and that it proved the structure and organization needed to integrate the phased implementation approach, however they also concluded that the DoD should anticipate key leadership turnover, which would slow the implementation momentum achieved to date."[133]

Finally, the eighth step includes "connecting and communicating the new organizational behaviors linked to success."[134] Kotter defines this stage as "anchoring new approaches in the emergent culture."[135] Only when employees, both as individuals and as a collective group, trust in their management, the vision of change, and the new personnel system, can an emergent culture of performance-based employees take hold. These diverse people, positions, and perceptions about what needed to change were combined, ultimately culminating in over 226,000 DoD civilian employees transitioned to NSPS.

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[131] Kotter, *Leading Change*, 1320.

[132] Brook, Schroeder, King, *National Security Personnel System: The Period of Implementation (November 24, 2003–January 16, 2009)*, 23–28.

[133] Ibid., 29.

[134] Kotter, *Leading Change*, 1.

[135] Ibid.

5. Evaluation of NSPS Implementation

On June 30, 2007, PEO NSPS Mary Lacey released the NSPS evaluation plan. This plan outlined the intent to collect both annual and cumulative evaluations of data in order to measure the health of NSPS. This plan outlined the NSPS performance metrics, which correlate well to the KPP attributes, which will be presented in section three, and analyzed, in section four of this report. The evaluation data sources were broken into six different categories, including "attitude survey (DMDC SOFS), automated data (Defense Civilian Personnel Data System (DCPDS)), special studies, focus groups and targeted interviews, implementation lessons learned received from the NSPS readiness tool, and baseline data, which is data collected on a group prior to transition to NSPS."[136] Finally, this plan allocated responsibilities for the performance evaluation of NSPS to various agencies including the PEO, CPMS, DMDC, and the component agencies.

The following sections of this report will provide an analysis of the key stakeholders' perceptions during DoD's implementation of NSPS.

After gathering the relevant data, each KPP was analyzed by evaluating the key stakeholders' perceptions of each KPP attribute. The NSPS Requirements Document defines an attribute as "a characteristic that further defines a performance parameter that allows it to be measured."[137] By evaluating the individual attributes from the perspectives of the major stakeholders, an overall rating for the attribute was determined. By aggregating these ratings by KPP, an overall rating for each KPP was determined. In order to make this process more objective, a scorecard was developed to provide a common way of analyzing each attribute, as well as visually depicting the results.

[136] NSPS Evaluation Plan, Mary Lacey, June 30, 2007, 8–10.

[137] England, "Requirement Document for National Security Personnel System," 7.

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III. DATA

Significant quantities of data have been collected since the inception of NSPS. Much of this data was collected to measure NSPS performance against the six \Key Performance Parameters (KPPs), as listed in the NSPS Requirements Document.[138] According to this document, a KPP is "a capability or characteristic that is so significant that failure to meet a minimum "threshold" can be cause for that element, concept or system to be reevaluated, or the program to be reassessed or terminated."[139] These KPPs were further defined by attributes, which enabled the KPP to be measured. Table 3 depicts the KPPs and the associated attributes:

Table 3. NSPS Key Performance Parameters (KPPs) and Associated Attributes.[140]

KPP	Description	Attributes
1. High Performing Workplace and Management	**Employees and supervisors are compensated and retained based on their performance and contribution to mission**	
		System is transparent - clear and understandable to employee and supervisor alike
		Credible system—System is trusted by employees and supervisors
		Performance and contribution are linked to salary and rewards
		Salary and rewards enable DoD to compete successfully in hiring and retaining employees
		System links to the DoD and Component strategic plans
		System allows for variations without incurring excess cost to support performance management processes
		System provides ongoing feedback
		System is contemporary
2. Agile and Responsive Workforce and Management	**Workforce can be easily sized, shaped, and deployed to meet changing mission requirements**	
		Expandable—workforce additions can be made easily, flexibilities to hire or expand, workforce skills readily identifiable
		Retractable—easily right-sized to meet decreased mission requirements, compatible with competitive sourcing regulations, supports management decisions on modifications of employee numbers

[138] National Security Personnel System (NSPS) Requirements Document, 7.

[139] Ibid.

[140] Ibid.

KPP	Description	Attributes
		Assignable—employees easily assigned/reassigned, employees can be moved within broad pay band without reassignment, adaptable to changing skill sets
		Deployable—employees / work unit can be easily geographically moved, flexibility to provide incentives to move or deploy
		Renewable—provides for growth and sustainment of competencies, new skills and talents brought into organization quickly and impartially, retraining for personnel with obsolete skills, supports and facilitates succession planning
		Reconfigurable—organizational structures can be easily changed to meet mission requirements
		Diverse—workforce representative and multi-skilled with varied backgrounds and experiences
		Contemporary—system changes and adapts, does not impose unnecessary rules and regulations
3. Credible and Trusted	**System assures openness, clarity, accountability and adherence to the public employment principles of merit and fitness**	
		System design is accessible, understandable, accountable and merit-based
		System provides for fair and expeditious resolution of issues and concerns
		System fosters a labor-management relationship that addresses employee concerns and employees' rights to organize and bargain collectively while meeting DoD mission
		System includes a performance management system that meets statutory requirements
4. Fiscally Sound	**Aggregate increases in civilian payroll, at the appropriations level, will conform to OMB fiscal guidance; managers will have flexibility to manage to budget at the unit level**	
		Aggregate increases in civilian payroll at the appropriation levels conform to OMB fiscal guidance and statutory requirements
		Funded implementation costs are measured with respect to the DoD top line
		System provides for cost discipline
		System provides flexibility to manage civilian human resources to budget at the unit level
5. Supporting Infrastructure	**Information Technology support, and training and change management plans are available and funded**	
		Supporting infrastructure provides interoperability across all offices and functions
		Data is accessible when personnel possess appropriate permissions
6. Schedule	**NSPS will be operational and stable in sufficient time to evaluate it before the LR system sunset date (Nov 09)**	
		NSPS internal milestones for system development, implementation, and assessment lead effectively to providing support to repeal the LR system sunset date
		"Spiral roll-out": The program schedule should include the design and implementation of initial operating deployments that permit the system to be put into use and assessed at a relatively small number of organizations, with subsequent deployments that incorporate lessons/system improvements from the previous experiences

Due to the abundance of NSPS-related data, the first task was to determine the most relevant and appropriate types of data to be collected, reviewed, and analyzed. We collected and analyzed information and data from two types of sources: publicly available documents (including analysis and reviews of NSPS by independent research organizations, such as RAND, etc.), and archived survey data, documents, and information provided by organizations, such as the Defense Manpower Data Center (DMDC).

The data collection and review revealed five data sources, which were most relevant to assessing the strengths and deficiencies of the implementation of NSPS. These sources included data from surveys and reports, which represent a cross sample of stakeholders with interests in the NSPS. These stakeholders included DoD employees, their supervisors, and federal government oversight agencies to include the Government Accountability Office (GAO) and the Office of Personnel Management (OPM), Congress, and the Unions..

The final five data sources chosen for this report include:

1. DMDC Status of the Forces Survey (2008)
2. Congressional Budget Office Review of NSPS (November 2008)
3. Government Accountability Office (GAO) Report (September 2008)
4. Office of Personnel Management (OPM) Assessment of Implementation of NSPS (December 2008)
5. Defense Business Board (DBB) Review of NSPS (July 2009).

The first data source is the Defense Manpower Data Center (DMDC) Status of Forces Survey (SOFS) and corresponding reports. The SOFS is a web-based survey administered annually to DoD civilian personnel. In 2008, the SOFS included 105,000 DoD civilians surveyed.[141] On average, 55% of the people surveyed responded.[142] Of 23 total topic areas covered by the SOFS, eight were deemed most relevant to NSPS:

[141] 2008 Status of Forces Survey of DoD Civilian Employees National Security Personnel System Briefing, May 2009, 3.

[142] Ibid., 3.

Overall Satisfaction, Leadership and Management, Readiness, Retention, Motivation/Development/Involvement, Performance Management, Personnel Actions, and NSPS. Each section is described in the 2008 SOFS as follows:

> Overall Satisfaction. Satisfaction with aspects of working for the organization, and overall satisfaction with the organization, the job, and the pay.
>
> Leadership and Management. Level of agreement with a series of statements pertaining to managers/supervisors, along with satisfaction measures.
>
> Readiness. Individual and unit preparedness, along with perceptions of training effectiveness.
>
> Retention. Likelihood to continue to work for DoD, intentions to leave at the next available opportunity, plans to look for another job in the coming year along with reasons for doing so, satisfaction with the opportunity to get a better job in their organization, organizational commitment, and recommendation of their organization as a good place to work.
>
> Motivation/Development/Involvement. Level of agreement with a series of statements pertaining to career and work motivation, development, and involvement, along with satisfaction measures.
>
> Performance Management. Level of agreement with statements pertaining to performance appraisals, recognition, compensation, workforce quality, and management of employees, along with satisfaction measures of training and feedback.
>
> Personnel Actions. Level of management agreement with statements about pay reflecting performance, opportunities for innovation, and performance plans.
>
> NSPS. Awareness and perception of the impact of NSPS, identification of the most desired NSPS training and the most important supervisor skills and abilities under NSPS, receipt and effectiveness of NSPS training, and perception of managers/supervisors having the tools, training, and information needed to make pay decisions under NSPS.

In addition to the responses from 2008, the report also shows trends from previous SOFS (grouped by spirals). It also compares responses from DoD personnel under NSPS to DoD personnel not under NSPS. Data is further categorized by DoD Component, Pay Plan/Grade, Type of Appointment, Veteran/Preference, Retirement Eligibility, Schedule, Age, Gender, Education, Retirement Plan, Location, Length of Service, Race/Ethnicity, Occupational Group, Disability, Supervisor/Manager, Bargaining Unit, and NSPS Status.

The next report is the Congressional Budget Office's (CBO) Review of the Department of Defense's National Security Personnel System, dated November 2008.[143] This report was prepared by the CBO at the request of the Chairman of the Subcommittee on Readiness of the House Committee on Armed Services. The main objective of the report was to determine if NSPS was meeting its goals as stated in the 2004 National Defense Authorization Act (NDAA). This report is divided into five primary sections: Summary and Introduction, Human Resources Management under the General Schedule System, The DoD's Objectives for NSPS, Issues and Concerns, The Role of DoD's Components in Designing and Implementing the System, and Has NSPS Achieved its Goals to Date? The report is also supplemented by four appendices: The Pay for Performance System for the Senior Executive Service, The DoD's Plan for Converting its Employees to NSPS, The Pay Banding Structure for the Four Career Groups in the NSPS, Further Details About the 2008 Performance Evaluation and Payout under the NSPS.

Summary and Introduction. This section provides a brief summary of the history of NSPS and the GS system. It provides an overview of the main sections and an executive overview of each section's findings.

Human Resources Management Under the General Schedule System. This section describes the GS system, which was the main system targeted for replacement by NSPS. It includes discussion of job classification and compensation, pay progression, staffing and workplace shaping, and adverse action, appeals, and labor relations. It discusses the perceived shortcomings of the GS system and why DoD felt that it needed a new system.

The DoD's Objectives for NSPS. In this section, the report describes DoD's objectives in establishing the NSPS as detailed in the Fiscal Year 2004 NDAA. These goals are summarized as:

1. Increase management flexibility in hiring and compensating employees
2. Increase management flexibility with regard to adverse actions and labor relations issues
3. Motivate effective work

Issues and Concerns. This section examines the primary issues and concerns that were identified during the 30-day public review and comment period for NSPS.

[143] Congressional Budget Office, A Review of the Department of Defense's National Security Personnel System, November 2008.

The majority of the 58,000 comments received during this time can be divided into the following two categories: Performance Management and Adverse Actions/Appeals/Labor Relations.

The Role of DoD's Components in Designing and Implementing the System. This section discusses the establishment of the Program Executive Office (PEO) for NSPS and the input that the various DoD components had regarding design and implementation. It includes discussion of the conversion of employees, the cost of conversion, and establishing the linkage between individual objectives and organizational missions.

Has NSPS Achieved its Goals to Date? As the final section of the report, it seeks to determine if NSPS is meeting the goals as identified by DoD. Although not a complete analysis, it does identify several areas that have sufficient data to determine their success.

The third data source is the Government Accountability Office's (GAO) Report to Congressional Committees, titled HUMAN CAPITAL: DoD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System, dated September 2008.[144] This report was prepared at the direction of Congress, and had two primary objectives: (1) examine the internal safeguards established by DoD to ensure the fairness, effectiveness, and credibility of NSPS; and (2) how DoD personnel perceive NSPS and what DoD has done to impact those perceptions. The report contains seven main sections: results in brief, background, discussion of internal safeguards, discussion of employee perceptions, conclusions, recommendations for executive action, and agency comments / our evaluation. It is also supplemented by six appendices. The supporting data sources for this report included surveys and focus group meetings with DoD employees.

Results in Brief. This section briefly describes the results of the study. Overall, it acknowledges that while DoD did put some safeguards in place to ensure that the NSPS evaluation process was fair, effective, and credible, the implementation of these safeguards should be improved.

Background. The second major section of the report discusses the background of NSPS. In addition to the passage of the FY2004 NDAA, it also discusses the establishment and structure of the Program Executive Office (PEO) for NSPS, as well as an overview of the implementation spirals and the pay pool structure.

[144] Government Accountability Office HUMAN CAPITAL: DoD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System, September 2008.

Discussion of internal safeguards. This section addresses nine safeguards (identified in the FY2008 NDAA and previously be GAO) that DoD implemented within NSPS. These safeguards are:

1. Involve employees in the design and implementation of the system.
2. Link employee objectives and the agency's strategic goals and mission.
3. Train and retrain employees and supervisors in the system's operation.
4. Require ongoing performance feedback between supervisors and employees.
5. Provide a system to better link individual pay to performance in an equitable manner.
6. Allocate agency resources for the design, implementation, and administration of the system.
7. Include pre-decisional internal safeguards to determine whether rating results are consistent.
8. Provide reasonable transparency of the system and its operation.
9. Assure meaningful distinctions in individual employee performance.

Of the nine safeguards identified, the GAO determined that three of them could be improved immediately (pre-decisional internal safeguards, reasonable transparency, and meaningful distinctions). According to the report, the implementation of these three safeguards was insufficient and prevented the DoD workforce from being assured that the system was fair, equitable, and creditable.

Discussion of employee perceptions. Although DoD employees under NSPS identified some positive aspects of the system, in general employees had a negative perception of the system. Further, DoD had no plan to address this negative perception.

This section identifies some areas where DoD employees under NSPS had more favorable opinions than non-NSPS employees. However, it also notes some trends that reflected negatively on NSPS. One of these trends reveals that the employees who had been under NSPS the longest had the most negative opinions concerning the system—and in many cases these negative opinions got progressively worse each year.

The focus groups conducted as part of this report identified wide-ranging but consistent concerns about NSPS. Some of the concerns that were consistently identified by various focus groups were:

1. The negative impact on motivation and morale of NSPS;
2. The excessive amount of time spent navigating the performance management process;
3. The potential influence that employees' and supervisors' writing skills have on panels' assessments of employee rating;
4. Employees' lack of transparency and understanding of the pay pool panel process.
5. The rapid pace of NSPS implementation

Despite the abundance of surveys, focus groups, and employee feedback identifying these same (or similar) issues, the report notes that DoD has not taken steps to address them and improve perceptions.

Conclusions. This section begins by acknowledging that DoD was at the forefront of implementing a pay for performance system within the federal government. Although DoD faced some change management issues that would affect any large organization undertaking such a massive transformation, some issues were identified that could be corrected to improve opinions regarding NSPS.

Recommendations for Executive Action. Building on the conclusion, the GAO in this section identifies four recommendations for the PEO NSPS to implement:

1. Require a third party to perform pre-decisional demographic and other analysis as appropriate for pay pools.
2. Require commands to publish the final overall rating results.
3. Provide guidance to pay pools and supervisors that encourages them to rate employees appropriately, including using all categories of ratings as warranted by comparing employees' individual performance against the standards.
4. Develop and implement a specific action plan to address employee perceptions of NSPS ascertained from feedback avenues, such as, but not limited to, DoD's survey and DoD's and GAO's employee focus groups.

Agency Comments / Our Evaluation. DoD was provided a draft copy of this GAO report and provided their comments. These comments are summarized in the final section of the report. Specifically addressing each of the four recommendations above, the DoD:

1. Did not concur with the recommendation to have a third party perform pre-decisional analysis. DoD's reasoning was that this analysis was not "prescribed" in the FY2008 NDAA or the original statutory authority for NSPS.
2. Concurred with the recommendation to require all commands to publish final overall rating results. DoD noted that the vast majority of commands already published this data.

3. Partially concurred with the recommendation to provide pay pools and supervisors guidance to rate employees appropriately. DoD maintained that supervisors and pay pools were using all rating levels and were rating employees objectively based strictly on written performance reviews.

4. Partially concurred with the recommendation to develop and implement an action plan to address employee perceptions of NSPS. DoD stated that it would address several areas of weakness identified in its own analysis of NSPS, but that it was premature to draw actionable conclusions from more recent surveys about the system.

The fourth data source is the Office of Personnel Management's (OPM) 2008 Assessment of the Implementation of the Department of Defense National Security Personnel System, dated December 2008.[145] This report was OPM's second independent assessment of NSPS implementation, and was required by the statutory obligation that OPM evaluate initiatives to improve strategic human capital management of the Government's civilian workforce. The assessment contains six major sections: Executive Summary, Overview, DoD Implementation Assessment Results, Evaluation Summary, Recommendations, and Conclusions and Next Steps. Six appendices are also included.

Executive Summary. This section discusses Alternate Personnel Systems (APS), the history and background of NSPS, the assessment framework and scope, and summarizes the final two sections of the assessment (Recommendations and Conclusions and Next Steps). This section discusses the development and use of OPM's Objectives-Based Assessment Framework for evaluating human capital transformation, to include NSPS. The framework serves as an objective baseline for evaluating all APS in use by federal agencies. It consists of two distinct evaluation components—Preparedness and Progress. Since the 2007 OPM assessment of NSPS showed results in all areas of Preparedness, only Progress was considered in the 2008 assessment. The five dimensions of this framework are Mission Alignment, Results-Oriented Performance Culture, Workforce Quality, Equitable Treatment, and Implementation Plan Execution.

Overview. The first sub-section, Introduction, summarizes results of the first OPM assessment (from May 2007). During the first assessment, OPM determined that DoD had effectively planned for NSPS implementation and demonstrated progress in most of the areas evaluated. Next, it discusses OPM's Charge and its statutory role in improving strategic human capital management of the Government's civilian workforce, including associated planning and evaluation efforts. It then discusses the NSPS Background, and DoD's authority (under the FY2004 NDAA) in establishing NSPS. Next, the NSPS Implementation Status is

[145] Office of Personnel Management 2008 Assessment of the Implementation of the Department of Defense National Security Personnel System, December 2008.

discussed, noting that due to the timing of the spirals that this assessment only covers Spiral 1 deployment (from October 2006 to October 2007). The following sections include OPM's Evaluation Approach and OPM's APS Objectives-Based Assessment Framework. This section concludes with information concerning the data collection and authoring of the assessment, in the sub-section titled About the Report.

DoD Implementation Assessment Results. Table 4 summarizes the results of this assessment. The Dimensions were rated as D (Progress Demonstrated), N (Progress Not Demonstrated), or NR (Not Ratable). Additionally, the assessment examined the overall trend since the first OPM assessment in 2007. The trends are noted below as improved since 2007, degraded from 2007, or not measured previously.

Table 4. DoD Implementation Results in CBO Report[146]

Dimension	Rating	Trend
Mission Alignment		Improved
- Line of Sight	D	
- Accountability	D	
Results Oriented Performance Culture		Degraded
- Differentiating Performance	D	
- Pay for Performance	D	
- Cost Management	D	
Workforce Quality		Not Measured Previously
- Recruitment	D	
- Flexibility	N	
- Retention	NR	
- Satisfaction and Commitment	D	
Equitable Treatment		Not Measured Previously
- Fairness	D	
- Transparency	D	
- Trust	D	
Implementation Plan Execution		Improved
- Work Streaming Planning and Status	D	
- Performance Management System Execution	D	
- Employee Support for the Program	D	

[146] Office of Personnel Management 2008 Assessment of the Implementation of the Department of Defense National Security Personnel System, 11.

Evaluation Summary. The evaluation summary stated that NSPS has demonstrated successful program in program implementation. It also noted that since this data was based only on Spiral 1, the data should be considered indicators, not trends. General observations about NSPS were:

- Employees and supervisors are compensated based on their performance.
- Distinctions in performance and associated pay increases are being made.
- NSPS employees feel they are held accountable for achieving results.
- Controls are in place to manage overall costs while providing flexibility to manage to budget at the organization levels.
- While supervisors perceive a greater ability to set pay for new hires and more easily effect reassignments, other available flexibilities have not been widely used.
- Supervisory feedback data indicates there has been little improvement in the hiring process. The infrequent use of existing human resources flexibilities (Government wide and NSPS specific) could be a contributing factor.
- While there is little quantitative data on the effect of NSPS on retention of employees, employee survey data indicates NSPS employees have no greater intent to look for another job than do others in DoD. Performance-based pay was rated #7 of 10 in importance of reasons why employees would look for a new job.

Recommendations. The report makes several recommendations for improving NSPS. Specifically, recommendations are made for each of the Dimensions that were rated in the evaluation:

- **Mission Alignment**. Recommends consistency with the application of SMART and enhanced communications between supervisors and employees.
- **Results Oriented Performance Culture**. Recommends consistent, transparent, and supportive communication to reinforce employee understanding of ratings and address perception of no meaningful distinctions between most employee ratings. Also, recommends that DoD address concerns about impacts from future reductions in force and pay progression.
- **Workforce Quality**. Recommends improvements to data collection regarding recruitment of top talent, retention of high performers, and turnover of low performers. Also recommends better utilization of highly trained HR specialists to take advantage of all the flexibilities offered by NSPS.

- **Equitable Treatment**. Recommends that DoD continue to collect and analyze data concerning the fairness and transparency of NSPS, as well as continue to share lessons concerning the pay pool panel process.
- **Implementation Plan Execution**. Recommends maintaining the department and component level NSPS offices due to changeover at PEO NSPS.

Conclusions and Next Steps. The report concludes that there is a linkage between employee performance objectives and organizational goals, and that employees are held accountable for meeting those goals. It also states that there is strong support from DoD leadership to implement NSPS, there is a high degree of transparency in the system (although employee perceptions need to be improved), and that DoD has established multiple layers of oversight and controls to ensure fairness. It identifies no change in the level of trust between employees and their supervisors. The report also notes that like any new personnel system, there are some employee concerns, which OPM expects to improve in the next 3-5 years as employees accept the system.

The next steps for OPM are to continue assessing and evaluating the progress of NSPS and determine the appropriate time to evaluate changes to the system as made in the 2008 NDAA.

The fifth major data source is the **Defense Business Board's Report to the Secretary of Defense** titled **Review of the National Security Personnel System**, dated July 2009.[147] The DBB prepared this report at the request of the Deputy Secretary of Defense, William J. Lynn III. The deputy tasked the DBB to help determine:

1. If the underlying design principles and methodology for implementation are reflected in the program objectives,
2. Whether the program objectives are being met, and
3. Whether NSPS is operating in a fair, transparent, and effective manner.

The Task Group used multiple data sources in its analysis. They solicited public comments through the Federal Register, interviewed the United Defense Workers Coalition, interviewed DoD stakeholders, and convened two public meetings with experts and members of the public. In addition, the Task Group used data and reports available from PEO NSPS, as well as records of public comments, interviews, and meeting previous collected.

[147] Defense Business Board Report to the Secretary of Defense Titled Review of the National Security Personnel System, July 2009.

The report starts with a description of the task, followed by the process used for gathering and analyzing data, then background of NSPS. Next, the report goes directly into the recommendations. The seven recommendations of the Task Group were:

1. Initiate with a reconstruction of NSPS within the DoD that begins with a challenge to the assumptions and design of NSPS. The Task Group does not recommend NSPS be abolished, but does acknowledge that the depth of systemic problems discovered cannot be "fixed"—a "reconstruction" of the system is necessary.
2. Reestablish a DoD commitment to partnership and collaborating with employees through their unions.
3. Establish DoD's commitment to strategic management and investment in career civil servants.
4. Continue the existing moratorium on transitions of more work units into NSPS until DoD can present a corrective action plan to address identified issues.
5. Address the following specific areas of NSPS:
    a. Pay pool—improve transparency and complicated sub-processes
    b. Pay Bands—the wide pay bands result in a large part of the workforce without clear linkage to career progression
    c. Trust—improve employee and supervisor trust of NSPS
    d. Best Practices—formally collect and implement best practices across DoD
6. Continue GAO monitoring of NSPS.
7. Create a collaborative process for DoD managers and employees currently in the GS system to design and implement a performance management system that ties individual employee performance goals to organizational goals.

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IV. ANALYSIS

A. INTRODUCTION

This section will analyze data relevant to the six NSPS Key Performance Parameters and their associated attributes.[148] The objective is to examine and analyze various data sources for attributes within each KPP. Data will be analyzed to determine how employee perceptions aligned with the various attributes, and then with the KPPs. In order to make this determination, data relevant to each attribute will be compared within the five primary data sources. In addition to these five data sources, other documents will be used where applicable as supporting data.

B. METHODOLOGY

The analysis is organized first by KPP, and then by attribute. The first step in our analysis is to explain each of the attributes. Since various terms and words have different meaning, we first attempted to explain what exactly the attribute was intended to measure.

The next step in the analysis is to objectively compare the data from the five primary sources from the perspective of each key stakeholder. Six key stakeholders were identified for this analysis. The six key stakeholders were:

1. NSPS Employees. Employees under NSPS are the most obvious stakeholder, and in most cases, their opinions were given the most weight in the analysis. NSPS employees provided feedback to all of the five primary data sources and were crucial to the success or failure of NSPS. The DMDC SOFS provided much of the raw data used to analyze NSPS from the employee perspective.
2. Non-NSPS Employees. This group included all employees not under NSPS at the time of the data source publication. This included employees who were designated to transition to NSPS, but had not yet due to various reasons. It also included others (like Union employees) who were not scheduled to transition. Regardless of their status, these employees' opinions were captured in the primary data sources, and influenced the

[148] National Security Personnel System (NSPS) Requirements Document, 7.

course of events in NSPS' life cycle. As the NSPS employees listed above, most of the data for evaluating from a non-NSPS employee perspective came from the DMDC SOFS.

3. DoD. DoD was responsible for implementing the guidance in NDAA FY04, which allowed the DoD to "establish a more flexible civilian personnel management system that is consistent with the human capital management strategy."[149] DoD was included in the analysis as a key stakeholder because NSPS was created at the department's request. DoD wanted a system that addressed many of the inadequacies it perceived about the existing personnel systems, and NSPS was intended to address these perceived inadequacies. The DBB's review of NSPS provided much of DoD's perspective regarding NSPS, but their views were also captured in other sources as well (like DoD's comments at the end of the GAO's report clarifying their non-concurrence with some of the recommendations,[150] as well as DoD's response to the OPM report).[151]

4. Congress. Congress had ultimate authority over the pay system. Congress authorized the establishment of NSPS in the FY04 NDAA; it ended the system in the FY10 NDAA. Congress' opinions were most clearly stated in the CBO's report on NSPS.

5. OPM. OPM's leadership role regarding management of human capital includes "a responsibility to assess the management of human capital by federal agencies."[152] In this role, they were responsible for analyzing DoD's progress in implementing NSPS. Although OPM did not have any direct authority over DoD regarding NSPS, it was responsible overall for all federal agency employees.

6. Organized Labor. Labor Unions were identified in the FY04 NDAA as a critical stakeholder in the development and implementation of NSPS. The Labor Unions were vocal opponents of many NSPS components, and their opinions weighed heavily with Congress' decisions regarding the system.

[149] National Security Personnel System (NSPS) Requirements Document, 3.

[150] Government Accountability Office HUMAN CAPITAL: DoD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System, 69.

[151] Office of Personnel Management 2008 Assessment of the Implementation of the Department of Defense National Security Personnel System, 28.

[152] Ibid., i.

For analyzing these key stakeholders' perspectives, a scorecard was developed and applied uniformly to each attribute. The use of the scorecard accomplishes two important things: it standardizes the process for analyzing each attribute, and it allows translation of soft, non-quantifiable data (like opinions and narratives) into a rating. Four rating were used:

1. Green (generally positive). Where survey data is available, this generally relates to a 60% or higher rating. It can also apply to scores lower than 60%, if those scores show improvement from previous surveys or compared to other groups (like NSPS employees compared to non-NSPS employees). However, survey data only accounted for a small portion of the data analyzed. Much of the other data was non-quantifiable and required a standardized methodology for assigning a rating. In this case, a green rating was assigned to sources that had a generally positive opinion towards an attribute. The entire context of the source document was analyzed to avoid citing words or phrases that did not reflect the overall tone of the source and could be misleading. The project team members each assigned a rating to every stakeholder's attribute that contained non-quantifiable data, and the final ratings reflect the average of these three ratings. For computing the overall rating, a Green rating had a value of three.
2. Amber (generally neutral). Survey data in the range of 40% to 59% generates a rating of amber. For non-quantifiable data, an amber rating means that the stakeholder is generally neutral. A value of two for determining overall attribute rating.
3. Red (generally negative). For survey data, this rating captures everything below 40 percent. It could also apply to ratings above 40% if those ratings have trended downwards compared with previous surveys. For non-statistical sources, this rating denotes a generally negative opinion. Red ratings had a value of one for computing overall rating.
4. Black. This rating is used when there is not enough information available or it was determined to be not applicable. Black ratings are not considered when determining overall ratings.

A scorecard was completed for each attribute and a rating assigned based upon the above criteria. An overall rating for the attribute was determined by taking an average of the numerical scores assigned in the step above and rounding it. Overall values with decimal places less than .5 were rounded down; .5 and over were rounded up.

Next, the overall ratings for the attributes were put together to determine a rating for the KPP. The same method used for determining the overall attribute ratings was used to determine the overall KPP rating.

C. DATA SOURCES

Of the five data sources introduced in the previous section, certain sources are more relevant to the analysis of particular attributes and KPPs within this research project. Each has different purposes, views, and perspectives, which make them more relevant data sources when analyzing particular KPPs and attributes.

Within each scorecard, the sources cited are abbreviated to allow for better readability of these sections. The following five primary data sources are abbreviated as follows within the scorecards:

1. **SOFS**: 2008 Status of Forces Survey of DoD Civilian Employees National Security Personnel System Briefing, May 2009
2. **CBO**: Congressional Budget Office A Review of the Department of Defense's National Security Personnel System, November 2008
3. **GAO**: Government Accountability Office HUMAN CAPITAL: DoD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System, September 2008
4. **OPM**: Office of Personnel Management 2008 Assessment of the Implementation of the Department of Defense National Security Personnel System, December 2008
5. **DBB**: Defense Business Board Report to the Secretary of Defense titled Review of the National Security Personnel System, July 2009

The first data source, the DMDC SOFS, relied most heavily on survey responses from DoD employees. This source is most valuable when looking at KPP attributes, which concern employee and supervisor perceptions, such as credibility, trust, fairness, and employee opinions regarding the link between performance, pay, and promotions. Although seven years of DMDC were available (2003–2009), the 2008 DMDC SOFS was selected as the primary source for analysis. There were two reasons for choosing the 2008 survey data.

First, the 2008 DMDC reports contained trend data, which enables comparisons of the 2008 data to previously collected DMDC data. This data contained within the 2008 DMDC SOFS report minimized the need to look at each of the previous years for NSPS data since the necessary and relevant data was already contained in the 2008 DMDC SOFS report.

The second reason for selecting the 2008 survey, as opposed to the 2009 DMDC SOFS data was to use data, which the group believed was the least biased. At the time of collection and review of the 2009 DMDC SOFS survey data, a new Presidential administration, new Congress, and many new executive branch officials were in place, many who openly opposed NSPS and pay for performance initiatives. As a presidential candidate, then-Senator Barack Obama in September 2008 wrote a letter to the President of the International Federation of Professional & Technical Engineers (IFPTE), part of the American Federation of Labor—Congress of Industrial Organizations (AFL-CIO). In this letter to the union, Mr. Obama promised to "substantially revise these NSPS regulations, and strongly consider a complete repeal."[153] In the face of such strong opposition to NSPS from the executive branch leadership, the 2009 DMDC data was considered too susceptible to influence from the media and political opinions.

We chose to use 2008 data since it was collected before the 2008 Presidential campaign, which saw NSPS thrust into the political forum as a key campaign issue to federal government employees. Prior to the 2008 presidential election, many employees did not welcome NSPS, but it was accepted as a fact of life. After the 2008 presidential election, these same DoD civilian employees were potentially impacted by political agendas pushed thru media propagation, and therefore increasingly felt that the system could be on the verge of being repealed, and as a result the survey responses may have been skewed.

The next data source, the CBO's Review of DoD's NSPS (November 2008), includes data from different sources than the DMDC SOFS. The CBO report includes the DoD's goals and objectives for NSPS, summary of comments from the required 30 day

[153] Barack Obama, Letter to AFGE, AFL-CIO, September 9, 2008.

public review and comment period, and various surveys regarding NSPS. Whereas the DMDC SOFS was useful for determining how employees felt about NSPS, the CBO report is useful for determining how Congress perceived NSPS. The attributes associated with the NSPS KPPs and their surrounding issues are discussed at a higher level, and the analysis is focused on concepts (such as pay for performance), as well as looking at DoD's objectives and Congress' requirements for NSPS. The CBO review also includes discussion of the potential cost ramifications of pay banding, using data from NSPS plus previous APS that incorporated pay banding. The CBO report is most applicable to analyzing attributes that concern measuring and appraising performance, creating performance objectives, funding and cost of the system, and creating and maintaining an agile and responsive workforce.

The third data source, the GAO report entitled "HUMAN CAPITAL: DoD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System" was similar to the CBO report in that it was prepared for, and at the request of, Congress. This report included summarized results from the 2006 and 2007 DMDC SOFS, as well as interviews with officials and discussion groups at 12 selected DoD installations. The report also included a description of NSPS, the structure and mission of the NSPS PEO, and the timeline of spirals. The focus of the analysis and recommendations concerned implementation of safeguards to ensure that NSPS was fair, effective, and credible. Therefore, this report is most applicable when analyzing the KPPs associated with schedule attributes, as well as those concerning fairness, effectiveness, and credibility.

The fourth data source, OPM's Assessment of the Implementation of the DoD NSPS (December 2008), focused on the implementation of NSPS. This was OPM's second assessment of NSPS. As with the 2008 DMDC survey, this second assessment from OPM summarized the findings of the first OPM assessment, therefore it was deemed unnecessary to include both reports as primary data sources. This report is most applicable to analyzing the KPP attributes associated with workforce quality (recruitment and flexibility), cost management, and the performance management system.

The fifth and final primary data source, DBB's Review of NSPS (July 2009), was prepared for the Deputy Secretary of Defense, William J. Lynn III. President Obama appointed Mr. Lynn as the Deputy Secretary of Defense on January 8, 2009, with the Senate confirming him on February 11, 2009. In accordance with President Obama's campaign promises, the DoD announced on March 16, 2009 a joint DoD / OPM review of NSPS, followed by a formal request from Mr. Lynn on May 14, 2009 to the DBB. The DBB completed and released its report in July 2009. This report is significantly more critical of NSPS than similar recent reports from the Bush administration. This was the only one of the five primary data sources that included direct input from the union (the United Defense Workers Coalition), so it was determined to be most useful for evaluating attributes concerning labor-management relationship and collective bargaining. It also was useful for analyzing attributes associated with schedule and fiscal soundness.

1. KPP 1: High Performing Workplace and Environment

Employees and supervisors are compensated and retained based on their performance and contribution to mission.

a. Attribute 1. System is Transparent—Clear and Understandable to Employee and Supervisor Alike

The system must be transparent for both the employee and supervisor alike. Those work objectives that define an employee's expected performance must be clearly defined from the Component level down to the command and individual levels and align with the Department's and the organization's strategic plans and mission requirements.[154]

(1) Analysis. Stakeholders were neutral towards NSPS' transparency. NSPS employees felt that the system was understandable and that there was a clear linkage between employee work objectives and component and DoD strategic plans and objectives. A high percentage of both categories of workers knew how their work related to the goals and priorities of the organization (83% of NSPS employees

[154] National Security Personnel System (NSPS) Requirements Document, 8.

compared to 81% of non-NSPS employees). The Status of Forces Survey indicated both NSPS and non-NSPS employees in general understood not only their appraisal but also how their performance was linked to organizational goals, a key to performance.

DoD and OPM rated this attribute amber. That GAO report noted that while DoD did take steps to improve transparency, these efforts fell short. It also noted that DoD failed to provide adequate transparency because it didn't require pay pools to publish results at the time of the report. Likewise, OPM pointed out that while there was a high level of transparency in the NSPS system, there was much more work to be done.

Finally, Congress and the unions were generally negative regarding this attribute. Both stakeholders noted that NSPS as implemented did not meet the requirement for transparency.

Scorecard	
NSPS Employees	
Rating (3)	Source Data
Green	83% knew how their work related to the goals and priorities of the organization. (SOFS, 23) 63% understood their most recent appraisal. (SOFS, 24) 66% understood how performance standards and expectations directly related to their organization's mission. (SOFS, 24)
Non-NSPS Employees	
Rating (N/A)	Source Data
Black	No supporting data
DoD	
Rating (2)	Source Data
Amber	DoD's performance management system does not provide adequate transparency over its rating results to employees because it does not require commands or pay pools to publish their respective rating and share distributions to employees. (GAO, 5) DoD has taken some steps to implement internal safeguards to ensure that the NSPS performance management system is fair, effective, and credible; the implementation of some of these safeguards could be improved. (GAO, 5)
Congress	
Rating (1)	Source Data
Red	"Lack of transparency and understanding of the pay pool process" (CBO, 42)
OPM	
Rating (2)	Source Data
Amber	"There is a high level of transparency in the entire process including implementation issuances, training availability, performance evaluation outcomes, and lessons learned. However, a greater emphasis is needed to address employee perceptions of their performance ratings as being a fair reflection of their performance." (OPM, 36) "There is a high level of transparency in the entire migration process, including implementing issuances, training availability, performance evaluation data and findings, and lessons learned. However, DoD needs to focus on the drop in employee perceptions that their performance ratings are a fair reflection of their performance." (OPM, 12)
Labor Union	
Rating (1)	Source Data
Red	The unions felt the pay pool process violates the principle of transparency. (AFGE, 23). The unions felt they should be able to bargain over notices, competitive processes, and other procedures and appropriate arrangements to ensure fairness and transparency (AFGE, 9).
Overall	
Rating (1.8-> 2)	**Summary**
AMBER	**Overall, the stakeholders were generally neutral regarding this attribute.**

Figure 5. KPP1, Attribute 1 Scorecard

b. Attribute 2: Credible System—System is Trusted by Employees and Supervisors

The system must assure openness, clarity, accountability and adherence to the public employment principles of merit and fitness. The system must be one that the workforce has confidence in. The system must be constructed so that employees can readily understand how and why performance ratings are assigned. Employees must also receive clear feedback on past performance and guidance on how they can improve their performance and competencies and manage their careers. In the end, both supervisors and employees must believe the system works and is in their best interest.[155]

(1) Analysis. Employees (both NSPS and non-NSPS) were distrustful of the system. The GAO report cited employees' concerns about the secrecy in the pay pool process and distrust in the ultimate goal of the system (saving money instead of rewarding employees). Overall, these two stakeholders felt this attribute was not met. While employees in general had confidence in their supervisors, overall, they did not have the same confidence in the system itself.

While not as critical of NSPS as the employees were, both DoD and the Unions noted that the system lacked credibility for a few reasons. While employees and supervisors worked well together to accomplish the DoD mission, the DBB report noted that implementation of NSPS had begun to adversely impact this trust. The Unions noted that both employees and supervisors wanted a better understanding of the pay pool process.

[155] National Security Personnel System (NSPS) Requirements Document, 8.

Scorecard	
NSPS Employees	
Rating (1)	Source Data
Red	Employees at several locations told us that they did not trust that the system was in the employees' best interest, but rather was an attempt by the government to "save money at the expense of the employees." (GAO, 35) Some employees said that they did not trust the system because they think there is a lot of secrecy in the pay pool panel process. For example, some employees we spoke with at one location indicated that they had limited understanding of the process from the moment their rating left their supervisors' hands and went up to the "pay pool in the sky." (GAO, 37)
Non-NSPS Employees	
Rating (1)	Source Data
Red	While many organizations had good communication with the workforce, uneven understanding of pay pool panel procedures and incomplete information on organization-wide ratings and payouts hindered acceptance of NSPS as a credible and trusted system. (NSPS, 65) The payout process, including the formula for share value, the determination of individual employee shares, and the bonus versus salary allotment is complex and subject to misunderstanding and distrust by the employees. (NSPS Report, 12)
DoD	
Rating (2)	Source Data
Amber	Supervisors and employees have built up reserves of trust on working together to accomplish the DoD mission, but the current implementation of NSPS does not have the same level of trust between supervisors and employees. (DBB, 5)
Congress	
Rating (N/A)	Source Data
Black	No supporting data
OPM	
Rating (N/A)	Source Data
Black	No supporting data
Labor Union	
Rating (2)	Source Data
Amber	Statement to NSPS Review Panel (John Gage, President AFGE): "The [2008 NSPS Evaluation] report on the Supporting Infrastructure parameter found that both employees and supervisors wanted to have a better understanding of the pay pool panel process." (AFGE, 12)
Overall	
Rating (1.5-> 2)	**Summary**
AMBER	**Overall, the stakeholders were generally neutral regarding this attribute.**

Figure 6. KPP1, Attribute 2 Scorecard

c. Attribute 3: Performance and Contribution are Linked to Salary and Reward

A reward system must be established not only for individuals, but also for organizations and/or teams of employees. A reward system must be established not only for individuals, but also for organizations and/or teams of employees. The system must be constructed so that employees can readily understand how and why performance ratings are assigned. The system, while preserving merit principles and veterans' preference entitlements, must be based on simplified personnel rules that support flexibility and adaptability to varying command missions and structures.[156]

(1) Analysis. The stakeholders were generally negative towards this attribute. While only 43% of NSPS employees felt that pay raises depended on employee job performance, this was significantly higher the 25% of non-NSPS employees who felt this way. Although this percentage is low, this attribute was rated amber for NSPS employees since it was significantly higher than the non-NSPS employees.

DoD, Congress, and the Unions were negative in their opinions towards this attribute. DoD observed potential issues with the trend of higher-paid employees receiving higher ratings. Congress noted the impact this could have when offering higher starting salaries without placing them in higher graded positions. The Unions focused on the discrepancy between the immediate supervisor ratings and the ultimate pay pool decisions, postulating that the pay pool is not as qualified as the first line supervisor to make these decisions.

[156] National Security Personnel System (NSPS) Requirements Document, 8.

Scorecard	
NSPS Employees	
Rating (2)	Source Data
Amber	43% of NSPS employees said that pay raises depend on how well employees perform their jobs. (GAO, 7) As implemented, pay for performance was a fair reflection of employees' performance. (NSPS Review, 270)
Non-NSPS Employees	
Rating (1)	Source Data
Red	25 % of non-NSPS employees said that pay raises depend on how well employees perform their jobs. (GAO, 7)
DoD	
Rating (1)	Source Data
Red	Rating and payout analyses suggest that payouts are relatively higher for higher paid employees. Although the range of shares that can be assigned to a particular rating is limited, there is flexibility for the pay pools to make assignment of shares within particular rating ranges. Preliminary analysis by the NSPS 2008 Evaluation Report showed a pattern of higher shares being assigned to employees with higher salaries within the 3- and 4-rating ranges. Similarly, use of contributing factors to increase a rating is higher for higher paid employees. There also appears to be inconsistencies between components on the number of shares awarded for the same rating. Finally, the impact on race and gender of the trend that higher paid individuals tend to receive higher ratings requires more analysis and careful review. The complexity of the pay pool process will make EEO analysis difficult, but the potential effects demand that it be done. (Review of NSPS, 19)
Congress	
Rating (1)	Source Data
Red	Another possible advantage of pay banding is that the wider salary range provides greater latitude for a DoD organization to adjust to local job market conditions by offering new employees higher starting salaries without placing them in higher-graded jobs. (CBO, 12)
OPM	
Rating (N/A)	Source Data
Black	No supporting data was found
Labor Union	
Rating (1)	Source Data
Red	"A pay for performance system should compensate employees based on how they are rated, primarily from their immediate supervisor. However, under NSPS the ratings of supervisors can, and often are, overturned." (NFFE, 5)
Overall	
Rating (1.2-> 1)	**Summary**
RED	**Overall, the stakeholders were generally negative regarding this attribute.**

Figure 7. KPP1, Attribute 3 Scorecard

d. Attribute 4: Salary and Rewards Enable DoD to Compete Successfully in Hiring and Retaining Employees

In order for the NSPS to achieve a high-performing workforce and management, employees and supervisors must be compensated and retained based on their performance and contribution to the mission. The system must have a built in flexibility that is simple and adaptable to varying command missions and structures, e.g., it will work in a research and development organization, a production facility, or an accounting organization.[157]

(1) Analysis. The stakeholders were generally neutral towards this attribute. NSPS employees cited positive traits, such as the ability to move quickly through the pay bands while non-NSPS employees felt there was a limited number of pay bands available to them. Additionally, non-NSPS supervisors felt that NSPS was not meeting hiring flexibility expectations. This attribute was rated green for NSPS employees and red for non-NSPS employees.

DoD and Congress were negative for this attribute for the most part. DoD cited the confusion about career progression caused by mixing and combining different job categories into one pay band. Congress noted that pay-setting advantages of pay bands should make it easier to retain workers but found little evidence by 2008 to support this. This attribute was rated amber for DoD and red for Congress.

[157] National Security Personnel System (NSPS) Requirements Document, 7.

Scorecard	
NSPS Employees	
Rating (3)	Source Data
Green	Employees view the ability to move more quickly through a pay band as a benefit of NSPS. Other advantages include the ability to negotiate salaries for new hires and more flexibility in recruiting and retaining employees with higher-level expertise. (NSPS Report, 207)
Non-NSPS Employees	
Rating (1)	Source Data
Red	Some supervisors asserted that NSPS is not meeting hiring flexibility expectations because of a limited number of pay bands or the superimposition of GS based "pay lanes" upon NSPS pay bands. (NSPS Report, 207)
DoD	
Rating (2)	Source Data
Amber	Confusion about career progression has been created by mixing and combining the "journey" levels of many different occupational categories into one large band. NSPS management officials have mentioned that the wider PB2 enables managers to be more market-sensitive and better able to compete for talent. This flexibility is critical in recruiting and retaining high quality employees, especially for employees in mission critical, hard-to-fill occupations. (DBB, 16)
Congress	
Rating (1)	Source Data
Red	Furthermore, the pay-setting advantages of pay bands should make it easier to retain workers, particularly the more highly qualified ones with strong employment prospects in the private sector. Because NSPS is newly implemented, there is little evidence that CBO could draw on to assess the achievement of those outcomes. (CBO, 7)
OPM	
Rating (N/A)	Source Data
Black	No supporting data was found
Labor Union	
Rating (N/A)	Source Data
Black	NSPS will not truly reward high performance with pay incentives as advertised. (NFFE, 4)
Overall	
Rating (1.8-> 2)	**Summary**
AMBER	**Overall, the stakeholders were generally neutral regarding this attribute.**

Figure 8. KPP1, Attribute 4 Scorecard

e. Attribute 5: Systems Link Organizational Objectives to Individual Plans

The system must be constructed so that employees can readily understand how and why performance ratings are assigned. The system, while preserving merit principles and veterans' preference entitlements, must be based on simplified personnel rules that support flexibility and adaptability to varying command missions and structures.[158]

(1) Analysis. The stakeholders were generally favorable towards this attribute. Over 90% of NSPS employees' performance objectives were strongly aligned with the organizational objectives. There was no supporting data in regards to non-NSPS employees for this attribute.

DoD and Congress were mostly in their negative opinions towards this attribute. In DoD, focus groups generally agreed that performance plans helped improve the alignment of their job objectives to their organizational plans. Congressional research was unable to determine how effectively individual performance objectives were linked to organizational objectives. Furthermore, they found that linking the two might be difficult based on documentary resources received from DoD.

[158] National Security Personnel System (NSPS) Requirements Document, 8.

Scorecard	
NSPS Employees	
Rating (3)	Source Data
Green	Over 90 percent of sampled employee performance objectives were strongly aligned and very realistic. (NSPS 2008 Report, 148)
Non-NSPS Employees	
Rating (N/A)	Source Data
Black	No supporting data was found
DoD	
Rating (2)	Source Data
Amber	One of the strengths of the NSPS program is the improved focus on mission alignment. NSPS has made significant progress linking individual performance goals to organizational goals, which is a foundation for performance management. In focus groups and interviews, the workforce generally agreed that performance plans have helped improve the alignment of performance objectives with organizational strategic goals. The NSPS 2008 Evaluation Report found that over 90% of the sampled employee performance objectives were strongly aligned and very realistic. (Review of NSPS, 16)
Congress	
Rating (1)	Source Data
Red	Their research indicated it is unable to determine how effectively individual performance objectives were linked to organizational objectives. However, a review of the documentary resources DoD's components provided to supervisors and employees suggests that the linking might be difficult to achieve. (CBO, 42)
OPM	
Rating (N/A)	Source Data
Black	No supporting data was found
Labor Union	
Rating (N/A)	Source Data
Black	No supporting data was found
Overall	
Rating (3)	**Summary**
GREEN	**Overall, the stakeholders were generally supportive regarding this attribute.**

Figure 9. KPP1, Attribute 5 Scorecard

f. Attribute 6: System Allows Ongoing Feedback

Feedback is an important tool for employee/supervisor relationships. A training program must be implemented that enables the employee to understand better how to succeed, and enables supervisors to communicate performance expectations to their employees, provide feedback to them on their performance against these expectations, and tell them what steps they can take to improve their performance and competencies and manage their careers.[159]

(1) Analysis. The stakeholders were generally neutral towards this attribute. Sixty-eight percent of NSPS employees indicated they received regular or occasional feedback. Employee's feedback to supervisors indicated they could live with their rating but were concerned about the payout. There was not any data to support this attribute for non-NSPS employees. This attribute was rated green for NSPS employees.

The Unions were negative in their opinion about this attribute. They felt NSPS had failed to develop a process for ensuring ongoing performance occurs between employees and supervisors throughout the appraisal period. This attribute was rated red for the Unions.

[159] National Security Personnel System (NSPS) Requirements Document, 8.

Scorecard	
NSPS Employees	
Rating (3)	Source Data
Green	68% Percent of civilian employees who indicated they receive regular/occasional performance feedback. (SOFS, 68) Many employees held unfavorable opinions of the interim review process. A primary reason or this was the supervisor's inability to offer concrete and specific measures of improvement. A second major reason was the difference between the supervisor's interim review assessment and the pay pool panel's final rating of record. Some employees reported that interim reviews seldom allowed for career path discussions. Supervisors generally saw interim reviews as valuable as they were more formal than under the previous system, but were concerned about giving positive feedback because it might have set an expectation for the final rating. (NSPS 2008 Evaluation Report, 76) "The feedback I got from people is that they could live with the rating, but it was the payout. A 2.51 was rounded to a level 3 and got the same payout as a 3.00. We need better differentiation." Supervisor (NSPS 2008 Evaluation Report, 76)
Non-NSPS Employees	
Rating (3)	Source Data
Black	No supporting data was found
DoD	
Rating (N/a)	Source Data
Black	No supporting data was found
Congress	
Rating (N/A)	Source Data
Black	No supporting data was found
OPM	
Rating (N/A)	Source Data
Black	No supporting data was found
Labor Union	
Rating (1)	Source Data
Red	NSPS has failed to develop a process for ensuring ongoing performance feedback and dialogue between supervisors, managers, and employees throughout the appraisal period, and setting timetables for review. (AFGE, 6)
Overall	
Rating (2-> 2)	**Summary**
AMBER	**Overall, the stakeholders were generally neutral regarding this attribute.**

Figure 10. KPP1, Attribute 6 Scorecard

2. KPP 2: Agile and Supportive Workforce and Management

Workforce can be easily sized, shaped, and deployed to meet changing mission requirements

a. Attribute 1: Expandable/Renewable/Retractable

Workforce additions can be easily made to meet emergent mission requirements. Flexibilities exist to hire or expand to meet fluctuating workload. Workforce skills are readily identifiable in order to assign employees to meet emergent mission requirements. Workforce can be easily right sized to meet decreased mission requirements. The system is compatible with competitive sourcing regulations and provides the flexibility to create and compete with the DoD Most Efficient Organizations (MEO) within the A-76 process.[160]

(1) Analysis. The stakeholders were negative towards this attribute. NSPS employees felt a reluctance to credit NSPS for improving the hiring process. Additionally, NSPS employees found it particularly difficult under NSPS to find information that cited hiring for specific pay ranges and specialty positions. There was no supporting data found for non-NSPS employees. This attribute was rated red for NSPS employees.

The Unions felt there is no requirement in NSPS for expandability and flexibility. They also stated employees need the opportunity to be given a chance to compete for increases or at least be notified those opportunities exist. This attribute was rated red for the Unions.

[160] National Security Personnel System (NSPS) Requirements Document, 9.

Scorecard	
NSPS Employees	
Rating (1)	Source Data
Red	Unfavorable response rates have increased sharply in the last two years and are higher than favorable response rates that NSPS has improved hiring new employees for all three Spiral 1 populations in February 2008. (NSPS 2008 Evaluation Report, 149) All results point to a reluctance to credit NSPS for any improvement in hiring or the performance of new hires to this point. Focus group findings cite hiring for specific pay ranges and specialty positions as particularly difficult under NSPS. (NSPS 2008 Evaluation Report, 149) Focus group findings cite hiring for specific pay ranges and specialty positions as particularly difficult under NSPS. (NSPS 2008 Evaluation Report, 149)
Non-NSPS Employees	
Rating (N/A)	Source Data
Black	No supporting data was found
DoD	
Rating (N/A)	Source Data
Black	No supporting data was found
Congress	
Rating (N/A)	Source Data
Black	No supporting data was found
OPM	
Rating (N/A)	Source Data
Black	No supporting data was found
Labor Union	
Rating (1)	Source Data
Red	They felt there is no requirement in NSPS in regards to expandability and flexibility, however, the union felt that other employees be given a chance to compete for the increases, or even that they be notified that such opportunities exist. They felt their members should be able to bargain over notices, competitive processes, and other procedures and appropriate arrangements to ensure fairness and transparency. (AFGE, 6)
Overall	
Rating (1->1)	**Summary**
RED	**Overall, the stakeholders, primarily the NSPS employees and labor unions were not satisfied in this area.**

Figure 11. KPP2, Attribute 1 Scorecard

b. Attribute 2: Assignable/Deployable

Employees can be easily assigned/reassigned work in support of ongoing/emergent mission requirements. Employees can be moved within a broad pay

band vice having to be reassigned or detailed to a specific series and pay grade. System is sufficiently adaptable to allow for needs for changing skill sets. Employees and/or a work unit can be easily geographically moved, either temporarily or permanently, to meet changing mission requirements, including joint requirements and across DoD Component structures. Flexibility exists to provide incentives for employees to move or be deployable.[161]

(1) Analysis. The stakeholders were generally negative towards this attribute. NSPS employees felt NSPS is not better than the previous system for hiring, placement, and promotion. Additionally, many in the workforce are uncertain how to advance within a pay banded system. Finally, many NSPS employees seeking career advancement are confused about how to reconcile GS job descriptions with NSPS' pay bands. There was no supporting data found for non-NSPS employees. This attribute was rated red for NSPS employees.

DoD and the Unions were generally negative towards this attribute. DoD felt there remained a lack of transparency in reassignment as opposed to competitive promotion opportunities. They feared this leads to favoritism in supervisors and management. The Unions felt their members should be allowed to bargain over notices and other procedures to ensure fairness in the process.

[161] National Security Personnel System (NSPS) Requirements Document, 9.

Scorecard	
NSPS Employees	
Rating (1)	Source Data
Red	Results show that employees believe NSPS is not better than the previous system for hiring, placement, and promotion. These SOFS-C results are partially supported by supervisor focus group findings, which cite "pay lanes" practices and the five percent reassignment pay increase limit as limiting hiring flexibilities. SOFS- Many in the workforce are uncertain about how to advance within a pay-banded system. While some employees appreciate wide pay bands for the opportunities they offer, and some supervisors expressed appreciation for the increased flexibility in making assignments, still other employees lack information on how to progress. Many employees seeking career advancement are confused about how to reconcile GS job descriptions with NSPS' broad pay bands. (NSPS 2008 Evaluation Report, 64)
Non-NSPS Employees	
Rating (N/A)	Source Data
Black	No supporting data was found
DoD	
Rating (2)	Source Data
Amber	A lack of transparency in reassignment rather than competitive promotion opportunities leads to fears of cronyism and favoritism in supervisors and management. There are also concerns that the available 5% salary increase for reassignments may be both an insufficient amount to entice/reward an employee to accept a more difficult function (e.g., supervision) or in contrast, encourage "job hopping" for successive increases. In addition, the size of the pay band limits opportunities for traditional promotions and associated career progression and status. (DBB, 16)
Congress	
Rating (N/A)	Source Data
Black	No supporting data was found
OPM	
Rating (N/A)	Source Data
Black	No supporting data was found
Labor Union	
Rating (1)	Source Data
Red	They felt there is no requirement in NSPS in regards to expandability and flexibility, however, the union felt that other employees be given a chance to compete for the increases, or even that they be notified that such opportunities exist. They felt their members should be able to bargain over notices, competitive processes, and other procedures and appropriate arrangements to ensure fairness and transparency. (AFGE, 6)
Overall	
Rating (1.3-> 1)	**Summary**
RED	**Overall, the stakeholders, primarily the NSPS employees and labor unions were not satisfied in this area.**

Figure 12. KPP2, Attribute 2 Scorecard

3. KPP 3: Credible and Trusted

System assures openness, clarity, accountability and adherence to the public employment principles of merit and fitness.

a. Attribute 1: System Design is Accessible, Understandable, Accountable and Merit-Based

The system must be designed so that its processes are easily accessible and understandable. Availability of due process in appropriate cases must be visible and assured. The role, responsibility, authority, and accountability of every member of the workforce must be clearly articulated and understood. Performance expectations and corresponding salary and bonuses must also be equitable and clearly understood.[162]

(1) Analysis. Stakeholders felt that NSPS did not meet this attribute. Although NSPS employee opinions were in the mid-range (amber), it is worth noting that in two categories their scores were higher than their non-NSPS counterparts. The percentage of NSPS employees who felt promotions were based on merit was 11% higher than non-NSPS employees. NSPS employees were more positive as well concerning bonus and cash awards being based on performance (5% higher than non-NSPS). However, NSPS employees did not understand the differences between the different performance levels as clearly as non-NSPS employees did (59% versus 65%). This implies that NSPS employees felt the system was merit based, but was not understandable.

DoD, Congress, and the labor Unions felt strongly that NSPS certainly did not meet this attribute. The DoD and CBO comments focused primarily on the accessibility and understandability of the system. The labor Unions contended that NSPS was not merit based and would not truly reward and encourage high performance. However, this contention conflicts the views of NSPS employees. One possible explanation for this conflict is that the labor unions represented many of the Wage Grade DoD employees who were not under NSPS.

[162] National Security Personnel System (NSPS) Requirements Document, 10.

Finally, OPM determined the system had problems with understandability, but was also accountable. Overall, we rated OPM as amber. Non-NSPS employees were not included in this attribute rating since the DMDC SOFS did not include their opinions about NSPS (it only included their opinions regarding their current non-NSPS personnel system).

Scorecard	
NSPS Employees	
Rating (2)	Source Data
Amber	41% thought promotions in work unit were based on merit. (SOFS, 24) 59% understood differences between performance levels. (SOFS, 24) 60% felt bonus and cash awards depended on job performance. (SOFS, 24)
Non-NSPS Employees	
Rating (NR)	Source Data
Black	30% thought promotions in work unit were based on merit. (SOFS, 24) 65% understood the differences between performance levels. (SOFS, 24) 55% felt bonus and cash awards depended on job performance. (SOFS, 24)
DoD	
Rating (1)	Source Data
Red	"the bonus versus salary allotment is complex and subject to misunderstanding and distrust by the employees." (DBB, 10)
Congress	
Rating (1)	Source Data
Red	"lack of transparency and understanding of the pay pool process." (CBO, 42)
OPM	
Rating (2)	Source Data
Amber	OPM—"HR specialists servicing NSPS employees have a greater need to understand and apply the full range of flexibilities available." (OPM, 21) OPM—"Employees are held accountable for their part in meeting [organizational] goals." (OPM, 23)
Labor Union	
Rating (1)	Source Data
Red	"NSPS will not truly reward high performance with pay incentives as advertised." (NFFE, 4)
Overall	
Rating (1.4 -> 1)	**Summary**
RED	**Overall, the stakeholders were negative regarding this attribute.**

Figure 13. KPP3, Attribute 1 Scorecard

b. Attribute 2: System Provides for Fair and Expeditious Resolution of Issues and Concerns

NSPS must have an appeals process for equitably and expeditiously resolving workforce concerns.[163]

(1) Analysis. Stakeholders felt overwhelmingly that NPS did not provide for fair and expeditious resolution of issues and concerns. Of NSPS employees, only 36% felt that these procedures were fair. This was only slightly lower than the corresponding percentage for non-NSPS employees (38%) and implies that NSPS did nothing to improve this area over non-NSPS systems. For NSPS employees, the survey data trended downward as their time under NSPS increased—employees that had been under NSPS the longest (Spiral 1.1) had the lowest rating (32%), followed by ratings of 36%, 37%, 38%, and 38% for the four subsequent spirals.[164] This data suggests that as employees better understood the appeals process under NSPS, they came to dislike it more.

Along with several other contentious areas of NSPS, Congress directed that the changes to the employee appeals process would be eliminated with the passage of the 2008 NDAA. The OPM report discussed this decision but did not offer any opinion.

Finally, the Unions were united in their opposition to the changes that NSPS brought to the employee appeals process. The National President of the AFGE stated before Congress in June 2009 that these rules were deliberately written to "tip the scales" in favor of DoD when dealing with employee appeals.[165]

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[163] National Security Personnel System (NSPS) Requirements Document, 10.

[164] 2008 Status of Forces Survey of DoD Civilian Employees National Security Personnel System Briefing, May 2009, 25.

[165] Statement of John Gage, National President American Federation of Government Employees AFL-CIO before the Defense Business Board Task Group on the National Security Personnel System, June 25, 2009, 4.

Scorecard	
NSPS Employees	
Rating (1)	Source Data
Red	36% felt procedures for reconsidering performance appraisal ratings were fair (SOFS, 25) Employees feared retribution from supervisors if they requested reconsideration. (GAO, 44, 72)
Non-NSPS Employees	
Rating (NR)	Source Data
Black	38% felt procedures for reconsidering performance appraisal ratings were fair. (SOFS, 25)
DoD	
Rating (NR)	Source Data
Black	No supporting data was found
Congress	
Rating (1)	Source Data
Red	Congress directed in Public Law 110-181 in 2008 that NSPS would not implement the appeals element of NSPS. (CBO, 8)
OPM	
Rating (NR)	Source Data
Black	OPM report discusses 2008 NDAA, which repealed labor-management provisions, but does not offer an opinion.
Labor Union	
Rating (1)	Source Data
Red	Statement to NSPS Review Panel (John Gage, President AFGE)—"The rules involving information requests, standards of evidence in employee appeals and many other issues of due process and labor relations were revised to tip the scales heavily in favor of DoD." (AFGE, 4)
Overall	
Rating (1)	**Summary**
RED	**Overall, stakeholders felt NSPS did not meet this attribute.**

Figure 14. KPP3, Attribute 2 Scorecard

c. Attribute 3: System Fosters a Labor-Management Relationship That Addresses Employee Concerns and Employees' Rights to Organize and Bargain Collectively While Meeting DoD Mission

A labor-management relationship must be fostered that effectively addresses employee concerns without compromising DoD mission accomplishment. NSPS must operate within the framework of employee's rights to organize and bargain collectively.[166]

(1) Analysis. Stakeholders unanimously agreed that NSPS did not meet this attribute. Even DoD, which initially crafted the proposed rules regarding

[166] National Security Personnel System (NSPS) Requirements Document, 10.

labor management relations, noted that the initial legislation was damaging to established relationships between labor and management. This official acknowledgement from DoD that the initial labor management relations in NSPS were *damaging* is evidence that their position changed over time.

The SOFS survey did not contain any questions regarding labor management relations or collective bargaining, so they were not rated. Additionally, the OPM report discussed the repeal of the labor management provisions in the 2008 NDAA, but did not present an opinion.

Congress passed the 2008 NDAA (Public Law 110-181); thereby, eliminating the controversial labor management and collective bargaining provisions. Although a federal appeals court supported the DoD position,[167] Congress decided to remove these provisions.

The Unions adamantly opposed these provisions, and directed some of their strongest rhetoric towards them. The NFFE President contended that one of the goals of NSPS was to eliminate the Unions.

Although NSPS employee opinions were in the mid-range (amber), it is worth noting that in two categories their scores were higher than their non-NSPS counterparts. The percentage of NSPS employees who felt promotions were based on merit was 11% higher than the percentage of non-NSPS employees. NSPS employees were more positive as well concerning bonus and cash awards being based on performance (5% higher than non-NSPS). However, NSPS employees did not understand the differences between the different performance levels as non-NSPS employees (59% versus 65%). This implies that NSPS employees felt the system was merit based, but was not understandable.

DoD, Congress, and the labor Unions felt strongly that NSPS certainly did not meet this attribute. The DoD and CBO comments focused primarily on the accessibility and understandability of the system. The labor Unions contended that

[167] Congressional Budget Office, A Review of the Department of Defense's National Security Personnel System, November 2008, 19.

NSPS was not merit based and would not truly reward and encourage high performance. However, this contention conflicts the views of NSPS employees. One possible explanation for this conflict is that the labor Unions represented many of the Wage Grade DoD employees who were not under NSPS.

Finally, OPM determined the system had problems with understandability, but was also accountable. Overall, OPM was rated as amber. Non-NSPS employees were not included in this attribute rating since the DMDC SOFS did not include their opinions about NSPS (it only included their opinions regarding their current non-NSPS personnel system).

Scorecard	
NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not contain any questions regarding collective bargaining.
Non-NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not contain any questions regarding collective bargaining.
DoD	
Rating (1)	Source Data
Red	"The 2003 legislation included a series of provisions on labor management that … served to greatly damage the strong sense of partnership and commitment that had been established between labor and management in the 1990s." (DBB, 3)
Congress	
Rating (1)	Source Data
Red	"Public Law 110-181 directed DoD to restore the adverse actions, appeals, and labor relations policies that existed under regular civil service law." (CBO, 19)
OPM	
Rating (3)	Source Data
Black	OPM report discusses 2008 NDAA, which repealed labor-management provisions, but does not offer an opinion.
Labor Union	
Rating (1)	Source Data
Red	"NSPS … was intended to eliminate federal employee unions" (NFFE, 2). Proposed NSPS labor relations were "so outrageous it surpassed even our worst fears about DoD's intentions" (AFGE, 2).
Overall	
Rating (1)	**Summary**
RED	**Overall, the stakeholders were very negative regarding this attribute.**

Figure 15. KPP3, Attribute 3 Scorecard

d. Attribute 4: System Includes a Performance Management System That Meets Statutory Requirements

The performance management system, which is a required part of the overall human resources management system, must include a fair, credible, and transparent performance appraisal system, timetables for review of employee performance and dialogue between employees and supervisors.[168]

(1) Analysis. Stakeholders had mixed opinions concerning the performance management aspect of NSPS. Employees under NSPS had a generally positive view of NSPS in this regard. However, as noted with previous attributes, there was a decrease in employee satisfaction with NSPS the longer they were under the new system. Additionally, the employees noted the decreased organizational performance caused by the cumbersome Performance Appraisal Application (PAA), an opinion that is also reflected by other stakeholders.

DoD noted that PAA had been improved, but continued to need improvements. One major issue identified was the amount of time required by employees and supervisors alike to utilize the PAA. The GAO report noted that the PAA went through several version changes and technical improvements resulting in improvements from the initial versions, which were difficult to use and had some technical issues,[169] including inability to access the system during peak usage times.

OPM's report reflected positively on this aspect of NSPS, noting a high level of transparency in the processes. The report portrayed the appraisal process as timely and accurate in the assessments of employee performance.

[168] National Security Personnel System (NSPS) Requirements Document, 10.

[169] Government Accountability Office HUMAN CAPITAL: DoD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System, 39.

The Unions had the most negative view of this attribute, stating bluntly that NSPS "does not contain a fair, credible, and transparent performance appraisal system."[170]

Scorecard	
NSPS Employees	
Rating (2)	Source Data
Amber	64% felt their performance appraisal was a fair reflection of their performance. (SOFS, 24) 32% felt their performance appraisal system improves organizational efficiency. (SOFS, 25)
Non-NSPS Employees	
Rating (NR)	Source Data
Black	65% felt their performance appraisal was a fair reflection of their performance. (SOFS, 24)
DoD	
Rating (2)	Source Data
Amber	"Although the [PAA] tool has improved, there is still room for streamlining to be more efficient and transparent." (DBB, 15)
Congress	
Rating (2)	Source Data
Amber	"DoD's employees under NSPS are most concerned about the performance appraisal process." (CBO, 9)
OPM	
Rating (3)	Source Data
Green	"There is a high level of transparency in the entire process including implementation issuances, training availability, performance evaluation outcomes, and lessons learned." (OPM, 23) "performance management system execution is timely." (OPM, 19)
Labor Union	
Rating (1)	Source Data
Red	NSPS "does not contain a fair, credible, and transparent employee performance appraisal system." (AFGE, 26)
Overall	
Rating (2)	**Summary**
AMBER	**Overall, the stakeholders were neutral regarding this attribute.**

Figure 16. KPP3, Attribute 4 Scorecard

4. KPP 4: Fiscally Sound

Aggregate increases in civilian payroll, at the appropriations level, will conform to OMB fiscal guidance; managers will have flexibility to manage to budget at the unit level.

[170] Statement of John Gage, National President American Federation of Government Employees AFL-CIO before the Defense Business Board Task Group on the National Security Personnel System, June 25, 2009, 26.

a. Attribute 1: Aggregate Increases in Civilian Payroll at the Appropriation Levels Conform to OMB Fiscal Guidance and Statutory Requirements

NSPS regulations must provide for calculating the overall amount to be allocated for compensation of employees covered by NSPS in a way that will ensure that in the aggregate employees are not disadvantaged.[171]

(1) Analysis. Stakeholders shared common concerns about NSPS' ability to meet this attribute. One area they focused on was the potential for discrepancies between various pay pools. An employee who gets an excellent rating would likely receive a different payout than an employee in another pay pool who received the same rating. This is because each pay pool's funding is different, and an employee's payout could change if more or less employees in that same pay pool received unsatisfactory ratings.

The Unions noted that the total amount paid out under NSPS was actually 0.2% lower than the total amount that had been funded. Therefore, employees in the aggregate were disadvantaged—assuming that in other pay systems (like GS) 100% of the funded amount was paid out.

[171] National Security Personnel System (NSPS) Requirements Document, 10.

Scorecard	
NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
Non-NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
DoD	
Rating (NR)	Source Data
Red	"Some pay pools have more funds to distribute than others, based on the local component decisions and the composition of the pay pool." (DBB, 11)
Congress	
Rating (1)	Source Data
Red	NSPS "can result in discrepancies in pay raises across pay pools" because "the value of a share decreases with the number of shares awarded, outperforming employees in a pay pool or team with a large number of mediocre workers could receive larger pay raises than similarly outstanding performers who are part of a strong team." (CBO, 22)
OPM	
Rating (NR)	Source Data
Black	The OPM report did not cover this particular attribute.
Labor Union	
Rating (1)	Source Data
Red	"NSPS will depress pay for rank-and-file Defense workers." (NFFE, 4) "The total payouts from pay pools were lower by 0.2 percent of the funding amount." (AFGE, 12)
Overall	
Rating (1)	**Summary**
RED	**Overall, the stakeholders felt that NSPS did not meet this attribute.**

Figure 17. KPP4, Attribute 1 Scorecard

b. Attribute 2: Funded Implementation Costs are Measured With Respect to the DoD Top Line

NSPS development, implementation, and life cycle maintenance costs must be funded within the DoD top line.[172]

(1) Analysis. Only two of the primary source documents addressed this attribute, and they both were negative. Both the CBO and the Unions felt that DoD's estimates of the total cost were inaccurate (too low), and also that DoD's accounting of costs did not truly capture all expenditures (direct and indirect). This led to

[172] National Security Personnel System (NSPS) Requirements Document, 10.

the Union statement that "the true cost of NSPS has never been disclosed publicly" and the assertion that DoD was covering up costs approaching "$10,000 per Full Time Equivalent (FTE)."[173]

Scorecard	
NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
Non-NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
DoD	
Rating (NR)	Source Data
Black	DBB report did not cover this attribute.
Congress	
Rating (1)	Source Data
Red	According to DoD, "direct costs of providing training to employees are documented and tracked. However, CBO was unable to verify the accuracy of those records and independently estimate the salary costs of DoD employees who supported the design and ongoing implementation of NSPS." (CBO, 10)
OPM	
Rating (NR)	Source Data
Black	OPM report did not cover this attribute.
Labor Union	
Rating (1)	Source Data
Red	"A Government Accountability Office (GAO) report released in July of 2007 found that DoD's estimate was completely unsubstantiated" and "The true cost of NSPS has never been disclosed publicly." (NFFE, 10)
Overall	
Rating (1)	**Summary**
RED	**Overall, the stakeholders felt NSPS as implemented did not meet this attribute.**

Figure 18. KPP4, Attribute 2 Scorecard

c. Attribute 3: System Provides for Cost Discipline

Once NSPS is implemented, processes need to be in place to ensure cost discipline, such that aggregate increases in civilian payroll at each appropriation level conform to OMB fiscal guidance. The NSPS must be cost-neutral.[174]

[173] Statement of Richard N. Brown, National President of the National Federation of Federal Employees for the record before the House Armed Services Committee Subcommittee on Readiness regarding the National Security Personnel System, 10.

[174] National Security Personnel System (NSPS) Requirements Document, 10.

(1) Analysis. Stakeholders unanimously felt that NSPS would be cost neutral in the long run. The CBO noted that since funds for pay pools are fixed, this would limit the potential for growth in payroll costs. However, this comes at the expense of fairly rewarding organizations that have a higher percentage of outstanding performers—the more outstanding performers in an organization, the less they get since the funding for the pay pool is fixed.

The Unions also agreed that NSPS would be cost neutral. The AFGE contended that NSPS was actually designed to control costs rather than reward performance.[175] John Gage, in his testimony to Congress, noted that a true pay for performance system would cost more than the GS system. His statement that "unless you are planning to put more money into the system, you are not planning for true pay-for-performance"[176] is a harsh criticism of NSPS, but also an acknowledgement that the system would keep costs neutral compared to existing systems.

[175] Statement of John Gage, 7.

[176] Ibid., 19.

Scorecard	
NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
Non-NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
DoD	
Rating (NR)	Source Data
Black	DBB report did not cover this attribute.
Congress	
Rating (3)	Source Data
Green	Policies in place that "limit the potential for overall growth in DoD's payroll costs." (CBO, 22)
OPM	
Rating (3)	Source Data
Green	"Controls are in place to manage overall costs while providing flexibility to manage to budget at the organization levels." (OPM, 20)
Labor Union	
Rating (3)	Source Data
Green	"When you scratch the surface, you find what is really a market-based, cost-containment system." (AFGE, 17)
Overall	
Rating (3)	Summary
GREEN	Overall, the stakeholders were positive regarding this attribute.

Figure 19. KPP4, Attribute 3 Scorecard

d. Attribute 4: System Provides Flexibility to Manage Civilian Human Resources to Budget at the Unit Level

Managers/supervisors must be trained on the impact of their fiscal decisions on DoD mission performance, including a clear understanding of paying for performance and alignment of compensation to the market. Delegated human resource management authorities should support managing to budget at the unit level, while maintaining the flexibility to offer market sensitive pay.[177]

(1) Analysis. This attribute was not rated due to limited data sources. Since only one source (the OPM report) addressed this issue, it was not prudent to provide an overall assessment for this attribute.

[177] National Security Personnel System (NSPS) Requirements Document, 10.

Scorecard	
NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
Non-NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not include survey questions about cost of NSPS.
DoD	
Rating (NR)	Source Data
Black	DBB report did not cover this attribute.
Congress	
Rating (NR)	Source Data
Black	CBO report did not address this attribute.
OPM	
Rating (3)	Source Data
Green	"Direct costs are managed at all levels—from individual pay pool pay-outs to total award and pay expenditures across DoD" (OPM, 14).
Labor Union	
Rating (NR)	Source Data
Black	Union statements did not address this attribute.
Overall	
Rating (NR)	**Summary**
BLACK	**Not rated due to limited data sources.**

Figure 20. KPP4, Attribute 4 Scorecard

5. KPP 5: Supporting Infrastructure

Supporting infrastructure provides interoperability across all offices and functions.

a. Attribute 1: Supporting Infrastructure Provides Interoperability Across All Offices and Functions

The NSPS must be supported by a robust infrastructure that facilitates user operational and functional requirements. That infrastructure must include change management, workforce training and retraining on the implementation and operations of NSPS, including the performance management system, and an interoperable information technology (IT) system.[178]

[178] National Security Personnel System (NSPS) Requirements Document, 11.

(1) Analysis. The stakeholders were generally positive concerning NSPS' supporting infrastructure. All sources noted the abundance of training available, and although some identified areas where training should be improved, most noted the employees' satisfaction with the quality of training. Like other survey data, this data tended to trend downward the longer the employees had been under NSPS, but was still generally positive.[179]

The DBB report stated that much of the requisite supporting infrastructure was not in place at the start of NSPS implementation. Aspects of the infrastructure that were not completely mature at the start of NSPS, like the Performance Appraisal Application, were improved throughout the various spirals.

[179] 2008 Status of Forces Survey of DoD Civilian Employees National Security Personnel System Briefing, 39.

Scorecard	
NSPS Employees	
Rating (3)	Source Data
Green	68% felt NSPS training for employees was useful. (SOFS, 39) 68% felt NSPS web-based 101 training was useful. (SOFS, 39)
Non-NSPS Employees	
Rating (3)	Source Data
Green	69% felt NSPS training for employees was useful. (SOFS, 39) 69% felt NSPS web-based 101 training was useful. (SOFS, 39)
DoD	
Rating (2)	Source Data
Amber	"NSPS was implemented without the requisite supporting infrastructure." (DBB, 6) "The implementation of NSPS was accompanied by an unprecedented initial training effort throughout DoD." (DBB, 7)
Congress	
Rating (NR)	Source Data
Black	CBO report did not address this attribute.
OPM	
Rating (3)	Source Data
Green	"Criteria and standards for the performance management process, assignment of ratings, and associated pay increases are well defined, included in employee training, facts sheets, and videos, and posted on numerous DoD websites." (OPM, 18)
Labor Union	
Rating (2)	Source Data
Green	"The [2008 NSPS Evaluation] report on the Supporting Infrastructure parameter found that both employees and supervisors wanted to have a better understanding of the pay pool panel process." (AFGE, 12)
Overall	
Rating (2.6 -> 3)	**Summary**
AMBER	**Overall, the stakeholders thought that NSPS met this attribute.**

Figure 21. KPP5, Attribute 1 Scorecard

b. Attribute 2: Data is Accessible When Personnel Possess Appropriate Permissions

The supporting IT infrastructure of NSPS is more than just the physical components of the interoperable IT systems and the software programs and links that comprise those systems. Those components and software programs must be easy to use; accessible to all users with appropriate permissions; and capable of generating the reports, analyses and deliverables necessary for all types of finance, manpower management, HR and other functional requirements and for evaluation of the NSPS.[180]

[180] National Security Personnel System (NSPS) Requirements Document, 11.

(1) Analysis. This attribute was not discussed in any of the primary source documents and was therefore not rated.

Scorecard	
NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not address this attribute.
Non-NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not address this attribute.
DoD	
Rating (NR)	Source Data
Black	DBB report did not address this attribute.
Congress	
Rating (NR)	Source Data
Black	CBO report did not address this attribute.
OPM	
Rating (NR)	Source Data
Black	OPM report did not address this attribute.
Labor Union	
Rating (NR)	Source Data
Black	Union statements did not address this attribute.
Overall	
Rating (NR)	**Summary**
BLACK	**Not rated—not addressed in any source documentation.**

Figure 22. KPP5, Attribute 2 Scorecard

6. KPP 6: Schedule

NSPS will be operational and stable in sufficient time to evaluate it before the LR system sunset date (November 2009).

a. Attribute 1: NSPS Internal Milestones for System Development, Implementation, and Assessment Lead Effectively to Providing Support to Repeal the Labor Relation System Sunset Date

NSPS must be in place throughout the DoD, stabilized and validated across one annual cycle, in order to provide Congress an opportunity to address the November 2009 sunset of the Labor Relations system. Section 9902(m) of title 5, U.S. Code, contains a sunset provision for the labor relations system authority. Design,

development, regulatory, training and implementation schedules established for the NSPS program must be employed, such that full system implementation supports the timeline needed for Congress to address the November 2009 sunset date.[181]

(1) Analysis. The labor management portions of NSPS were held up by lawsuit and finally terminated in the 2008 NDAA. Because of this, it is difficult to say for sure if DoD's initial timeline for implementing prior to the sunset of the existing labor relation system in November 2009 was achievable. However, based on the sources, it can be determined that this schedule would have been very difficult to accomplish even with labor Union support. This is also supported by the Union opinion in 2009 that DoD was still several years away from fully implementing NSPS.[182] OPM echoed this concern, noting that it usually takes three to five years for employee opinions to improve.

One of the factors that led to this conclusion is that fact that much of the employee survey data trended downward the longer the employees were in the system. This, along with constant changes, clarifications, and improvements implied that the system was not "stable" as required in the NSPS Requirements Document.

The DBB's assessment of the implementation schedule was blunter: "DoD attempted to accomplish too much, too fast."[183]

[181] National Security Personnel System (NSPS) Requirements Document, 12.

[182] Statement of John Gage, 11.

[183] Defense Business Board Report to the Secretary of Defense Titled Review of the National Security Personnel System, 6.

Scorecard	
NSPS Employees	
Rating (2)	Source Data
Amber	Data trending downward with more time under NSPS indicates that system was not stabilized. (SOFS, 25)
Non-NSPS Employees	
Rating (NR)	Source Data
Black	
DoD	
Rating (1)	Source Data
Red	"NSPS attempted to accomplish too much, too fast." (DBB, 6)
Congress	
Rating (NR)	Source Data
Black	CBO report did not address this attribute.
OPM	
Rating (2)	Source Data
Amber	"historically employees have expressed an initial decrease in acceptance and buy-in of new alternative personnel systems, but employee perception eventually improves (normally within 3-5 years)." (OPM, 23)
Labor Union	
Rating (1)	Source Data
Red	"It should be noted that DoD is, in the best of scenarios, several years away from implementing NSPS fully." (NFFE, 11)
Overall	
Rating (1.5 -> 2)	**Summary**
AMBER	**Overall, the stakeholders were neutral regarding this attribute.**

Figure 23. KPP6, Attribute 1 Scorecard

b. Attribute 2: "Spiral Roll-Out"

The program schedule should include the design and implementation of initial operating deployments that permit the system to be put into use and assessed at a relatively small number of organizations, with subsequent deployments that incorporate lessons/system improvements from the previous experiences. Periodic assessment of system effectiveness will be conducted so the Department has a basis for determining that the performance management system meets the statutory criteria, allowing DoD to expand NSPS beyond the initially authorized 300,000 employees.[184]

[184] National Security Personnel System (NSPS) Requirements Document, 12.

(1) Analysis. Stakeholders were neutral concerning this attribute. The spiral implementation strategy executed by DoD was a very conservative way to implement NSPS, and provided the greatest flexibility in adjusting to changes.

The DDB noted that a more formal method to collect best practices should be implemented. This would help ensure that useful information is shared across all DoD components, as well as ensure that useful employee feedback is captured at the PEO NSPS level, evaluated, and implemented if appropriate.

OPM stated in their report that they were prepared to continue evaluating NSPS and providing feedback as the schedule advanced.

Scorecard	
NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not address this attribute.
Non-NSPS Employees	
Rating (NR)	Source Data
Black	SOFS did not address this attribute.
DoD	
Rating (2)	Source Data
Amber	"Best practices in the DoD Components should be more formally collected and implemented." (DBB, 16)
Congress	
Rating (NR)	Source Data
Black	CBO report did not address this attribute.
OPM	
Rating (2)	Source Data
Amber	"We will continue to conduct periodic assessments to independently evaluate the progress of NSPS implementation and to help DoD identify specific areas in which to focus their future efforts." (OPM, 23)
Labor Union	
Rating (NR)	Source Data
Black	Union statements did not address this attribute.
Overall	
Rating (2)	**Summary**
AMBER	**Overall, the stakeholders were neutral regarding this attribute.**

Figure 24. KPP6, Attribute 2 Scorecard

D. SUMMARY BY KPP

After analysis of the individual attributes, the overall ratings for the KPPs were determined. This was done using the same methodology, which was used for assessing the individual attributes, using the scale of 1 for red, 2 for amber, and 3 for green (black was not rated and not included in the calculations).

Overall, two KPPs were rated red (KPPs 2 and 3), three were rated amber (KPPs 1, 4, and 6), and one was rated green (KPP 5). Averaging the ratings of the KPPs, NSPS itself was rated at amber. Table 5 graphically depicts the results of the analysis:

Table 5. Stakeholder Analysis Rollup and Results by KPP and Attribute

KPPs and Attributes	Overall Rollup	Key Stakeholders					
		NSPS	Non-NSPS	DoD	Congress	OPM	Labor Unions
KPP 1: High Performing Workplace	Amber (2)	Green (2.5)	Red (1)	Amber (1.8)	Red (1)	Amber (2)	Red (1.25)
Attribute#1	Amber	Green	Black	Amber	Red	Amber	Red
Attribute#2	Amber	Red	Red	Amber	Black	Black	Amber
Attribute#3	Red	Amber	Red	Red	Red	Black	Red
Attribute#4	Amber	Green	Red	Amber	Red	Black	Black
Attribute#5	Green	Green	Black	Amber	Red	Black	Black
Attribute#6	Amber	Green	Black	Black	Black	Black	Red
KPP 2: Agile and Supportive	Red (1)	Red (1)	Black	Amber (2)	Black	Black	Red (1)
Attribute#1	Red	Red	Black	Black	Black	Black	Red
Attribute#2	Red	Red	Black	Amber	Black	Black	Red
KPP 3: Credible and Trusted	Red (1)	Amber (1.67)	Black	Red (1)	Red (1.25)	Green (2.5)	Red (1)
Attribute#1	Red	Amber	Black	Red	Red	Amber	Red
Attribute#2	Red	Red	Black	Black	Red	Black	Red
Attribute#3	Red	Black	Black	Red	Red	Black	Red
Attribute#4	Amber	Amber	Black	Amber	Amber	Green	Red
KPP 4: Fiscally Sound	Amber (1.67)	Black	Black	Red (1)	Amber (1.67)	Green (3)	Amber (1.67)
Attribute#1	Red	Black	Black	Red	Red	Black	Red
Attribute#2	Red	Black	Black	Black	Red	Black	Red
Attribute#3	Green	Black	Black	Black	Green	Green	Green
Attribute#4	Black	Black	Black	Black	Black	Green	Black
KPP 5: Supporting Infrastructure	Green (3)	Green (3)	Green (3)	Amber (2)	Black	Green (3)	Amber (2)
Attribute#1	Green	Green	Green	Amber	Black	Green	Amber
Attribute#2	Black	Black	Black	Black	Black	Black	Black
KPP 6: Schedule	Amber (2)	Amber (2)	Black	Amber (2)	Black	Amber (2)	Red (1)
Attribute#1	Amber	Amber	Black	Red	Black	Amber	Red
Attribute#2	Amber	Black	Black	Amber	Black	Amber	Black
Overall Rating	Amber (1.77)	Amber (2.03)	Amber (2)	Amber (1.63)	Red (1.31)	Green (2.5)	Red (1.32)

KPP 1 (high performance workplace) was rated amber overall. While NSPS found this KPP one of the two strengths of all the KPP's, Congress, non-NSPS employees and the labor Unions did not feel that way. NSPS employees felt the system provided adequate transparency, however, Congress and others felt this was not the case. It is important to note that the labor Unions felt strongly that NSPS did not come close to achieving the desired outcome of creating a high-performing workplace for its employees. One particular attribute that none of the groups found favorable was linking performance and contribution to salary and reward. Labor Unions were quick to point out that regardless of a supervisor's rating on their employees; those ratings were often turned over.

KPP 2 (agile and supportive) was rated red overall. In fact, there was only one amber rating for all of the categories within this KPP and that was in regards to deployability and assignability. DoD felt there was some credibility here but overall no particular group felt NSPS provided the workforce the agility necessary in today's working environment. Furthermore, it was apparent based on the data used for this project that NSPS would not be a supportive system as it was designed to be.

KPP 3 (credible and trusted) was rated red overall. NSPS employees rated this as amber overall. They felt that NSPS did connect performance to promotions and employee compensation. However, employees had a negative perception about the resolution of issues and concerns under NSPS. DoD, Congress, and Labor Unions all rated this KPP as red. The concerns from these stakeholders included the complexity of the system, transparency, trust, and labor-management provisions. OPM rated this KPP as green, noting there were some improvements needed, but overall that NSPS had demonstrated progress in meeting its objectives.

KPP 4 (fiscally sound) was rated amber overall. Data did not exist from the employee perspective since questions regarding this topic were not asked on employee surveys. DoD rated this KPP as red, noting that some pay pools had more funding than others. Congress and Labor Unions rated this KPP as amber. They noted the disparity between funding for different pay pools, payouts lower than the funded amount, and

uncertainty regarding the true cost of implementing NSPS. They also noted that NSPS had actually controlled costs. OPM rated this KPP as green and noted that the performance management system execution was timely and that there was a high degree of transparency in the system.

KPP 5 (supporting infrastructure) was rated green overall. Employees (both NSPS and non-NSPS), as well as OPM agreed that training was available and useful, resulting in a green rating. DoD and Labor Unions rated this as amber. DoD noted that although NSPS was launched without the infrastructure in place, DoD organizations did provide adequate training for employees and supervisors. The Labor Unions noted that overall training was adequate, but employees wanted more training on the pay pool process.

KPP 6 (schedule) was amber overall. NSPS employees, DoD, and OPM rated this as amber. Downward trending data from employees indicated that the system was not stable by November 2009 as required in the NSPS requirements document. DoD noted that the schedule was too aggressive, and OPM stated that new personnel systems typically do not gain user acceptance until 3–5 years after implementation, making the aggressive rollout schedule of NSPS even more challenging. The labor Unions rated this KPP red, stating in June 2009 that DoD was still several years away from fully implementing NSPS.

In addition to examining overall ratings for the KPPs, this data also allows an analysis by stakeholder. As Table 5 depicts, Congress and the labor Unions were the most critical of the system. OPM had the most positive outlook on NSPS, while employees and DoD had mixed opinions.

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V. SUMMARY

DoD's implementation of NSPS was revolutionary and had a profound impact on the federal workforce. Although DoD was not successful in completely implementing NSPS, the concept of pay for performance is gaining acceptance at the highest levels of government. President Barack Obama, while critical of NSPS, has expressed a desire to implement some form of pay for performance across all federal organizations.[185] DoD faced many challenges in implementing NSPS for its approximately 760,000 employees. According to the US Census Bureau, there were approximately 2.7 million federal employees (including DoD) in 2008.[186] The challenges involved in implementing a new pay system for this many employees, across many different agencies will be staggering and will dwarf the challenges faced by DoD with NSPS unless proper steps are taken to include adequately researching the feasibility of success for a new system.

Three key issues were identified that severely hindered DoD's implementation of NSPS. These issues were recurring themes within this analysis.

The first of these issues is consultation with stakeholders during the development of the system. One of the labor Unions' primary complaints about NSPS was that they were not included in the development of the system.[187] When finally consulted by DoD (as required by Congress), the Unions felt their feedback was not reflected in the final NSPS regulations.[188] In the end, this was a major shortcoming and the resultant lawsuits and pressure on Congress contributed directly to the decision to terminate NSPS.

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[185] FederalTimes.com, Obama's Pay for Performance Plan, http://blogs.federaltimes.com/federal-times-blog/2009/06/01/obamas-pay-for-performance-plan/.

[186] U.S. Census Bureau Web site: 2008 Federal Government Employment and Payroll, http://www2.census.gov/govs/apes/08fedfun.pdf.

[187] Statement of Richard N. Brown, National President of The National President of the National Federation of Federal Employees, for the Record before the House Armed Services Committee: Subcommittee on Readiness: Regarding the National Security Personnel System, 3.

[188] Statement of John Gage, 6.

Secondly, many stakeholders felt the schedule for NSPS was too rushed. The DDB noted that "NSPS attempted too much too fast."[189] The Unions stated that DoD was years away from fully implementing NSPS, at a time when DoD should have been concluding the initial implementation of the system.[190] A realistic schedule, coordinated across all impacted organization with all stakeholders, is vital to the success of large organizational changes. By attempting to complete the implementation of NSPS across all of DoD in approximately three and a half years, DoD placed themselves in a difficult position. As a manager of cost, schedule, and performance for NSPS, the PEO NSPS took risks in cost and performance in order to adhere to an overly ambitious schedule. In the end, the inability to meet the proposed schedule was cited by stakeholders, such as the Union, who themselves contributed to the schedule problems by filing lawsuits against DoD, as evidence that NSPS was a failed system.

The third issue concerns transparency and trust of the system. Although DoD made efforts to make NSPS transparent, in the end the stakeholders were not satisfied. All NSPS stakeholders noted issues with transparency and trust in the system. For example, many employees believed there was a forced distribution of NSPS ratings that ensured most employees would be rated as Valued Performers (rating of three). Although the NSPS program office issued official guidance asserting the there was no forced distribution, the fact that they had to issue the guidance at all shows how widespread this belief was.[191] Similarly, the NSPS office also issued guidance requiring that employees be provided with their first line supervisors' recommended ratings upon request.[192] Prior to this, some employees were not provided with their supervisors' ratings, contributing to the perception that the pay pool would lower ratings arbitrarily in order to adhere to a forced distribution. Further compounding these perceptions, DoD did not initially require

[189] Defense Business Board Report to the Secretary of Defense Titled Review of the National Security Personnel System, 6.

[190] Statement of Richard N. Brown, National President of the National President of the National Federation of Federal Employees, for the Record before the House Armed Services Committee: Subcommittee on Readiness: Regarding the National Security Personnel System, 11.

[191] Program Executive Office, National Security Personnel System, Prohibiting Forced Distribution Fact Sheet, April 2009.

[192] Defense Business Board Report to the Secretary of Defense Titled Review of the National Security Personnel System, July 2009, 12.

organizations to publish the rating distributions for employees.[193] All of these issues together resulted in a distrust of NSPS among key stakeholders. Even though many of these issues were addressed by the NSPS program office, the stakeholder perceptions were never totally corrected.

These issues are not unique to NSPS implementation, and they are not insurmountable. However, they combined to form the basis of the argument against NSPS implementation within DoD. Designers of future personnel systems, particularly those that include pay for performance, should be mindful of these key issues. If these issues are addressed early in the planning stages of future systems, they can be tracked as risks and mitigated. By not addressing these risks early in its implementation of NSPS, DoD allowed these risks to occur and become issues, which are much more difficult to resolve. By anticipating these risks early in the lifecycle, future personnel systems and civil service reforms can be better positioned for success.

[193] Government Accountability Office HUMAN CAPITAL: DoD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System, 6.

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VI. RECOMMENDATIONS FOR FUTURE STUDY

This report would not be complete without discussing the limits of the data used in the analysis. The primary limitations were the amount and type of data available. NSPS' short lifespan (less than four years) limited both the amount and type of data available. One important area that was not fully analyzed due to this constraint was the trend of data over time. The SOF Surveys shows that some data for employees started higher and trended downward the longer they had been under NSPS. However, the OPM report stated that in many cases, employees accept personnel system changes after three to five years. Future research could build on this report by examining this downward trend and tracking former NSPS employees who migrate to the GS system to analyze their survey responses. All of this would be extremely useful when implementing the next generation of a pay for performance personnel system in the federal workplace.

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VII. CONCLUSION

Pay for performance is an idea that has gradually gained acceptance with federal government leadership. Within DoD, multiple pay demonstration projects and NSPS have shown that there are benefits to this approach of rewarding and motivating employees. There are also significant negative consequences to organizations that do not implement the changes in a holistic manner. By addressing all aspects of organizational change, federal agencies and departments that implement pay for performance in the future should be able to improve acceptance of the system.

The implementation of a pay-for-performance system will indeed drive organizational changes throughout all of the stakeholders that were considered in this report. Based on the complexity of the federal workforce, the cultural changes required to implement any new personnel system would be significant. As stated in section one of this report, the basis of the NSPS model was for leadership to encourage managers to enhance their employee's performance through supportive and mutually beneficial actions. This type of employer-employee relationship is intended to garner an attitude to improve job performance and participation. This cultural shift would move it away from the GS model, which valued longevity and time in service over performance. In order for this type of organizational change to be effective and accepted, all parties involved must have buy-in to the future of the pay for performance personnel system.

Although NSPS was repealed, it should not be considered a complete failure. Like the Apollo 13 NASA mission in 1970, DoD's implementation of NSPS could be considered a "successful failure."[194] There were many problems with DoD's methods and plans that prevented full implementation. Despite the DBB's recommendation that NSPS be reconstructed instead of repealed, Congress and the President did just that, ending NSPS before it was implemented to even a third of the DoD workforce.[195] However, there is an opportunity to learn from these mistakes and improve the

[194] NASA Apollo Missions, http://www.nasa.gov/mission_pages/apollo/index.html.

[195] Defense Business Board Report to the Secretary of Defense Titled Review of the National Security Personnel System, 5.

implementation of future personnel system reforms. Conversely, there are things that DoD did well in their implementation that should be carried over into new systems. Never before had such a wide scale implementation of pay for performance been attempted in the public sector..

In an environment where public spending is coming under increased scrutiny, and with mandatory entitlement outlays increasing at the federal level, discretionary spending (such as national defense) is becoming increasingly tighter. The U.S. government has a responsibility to taxpayers to ensure that their money is spent wisely. One of the ways to do that is through a transparent pay for performance system that rewards high-performing employees and allows management to terminate poor performers. Despite NSPS' many flaws, the concept of pay for performance in the public sector appears to be here to stay. It will be the challenge of tomorrow's future public sector leaders, from the President and Congress down to first line supervisors and employees, to develop a better system and successfully implement it. This research project represents a single step in the marathon to implement pay for performance and other reforms across not just the DoD, but all federal agencies.

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